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Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES SECTION

OTTAWA, CANADA

DEPT. OF
POLITICAL ECONOMY

OPERATING RESULTS

OF

RETAIL CLOTHING

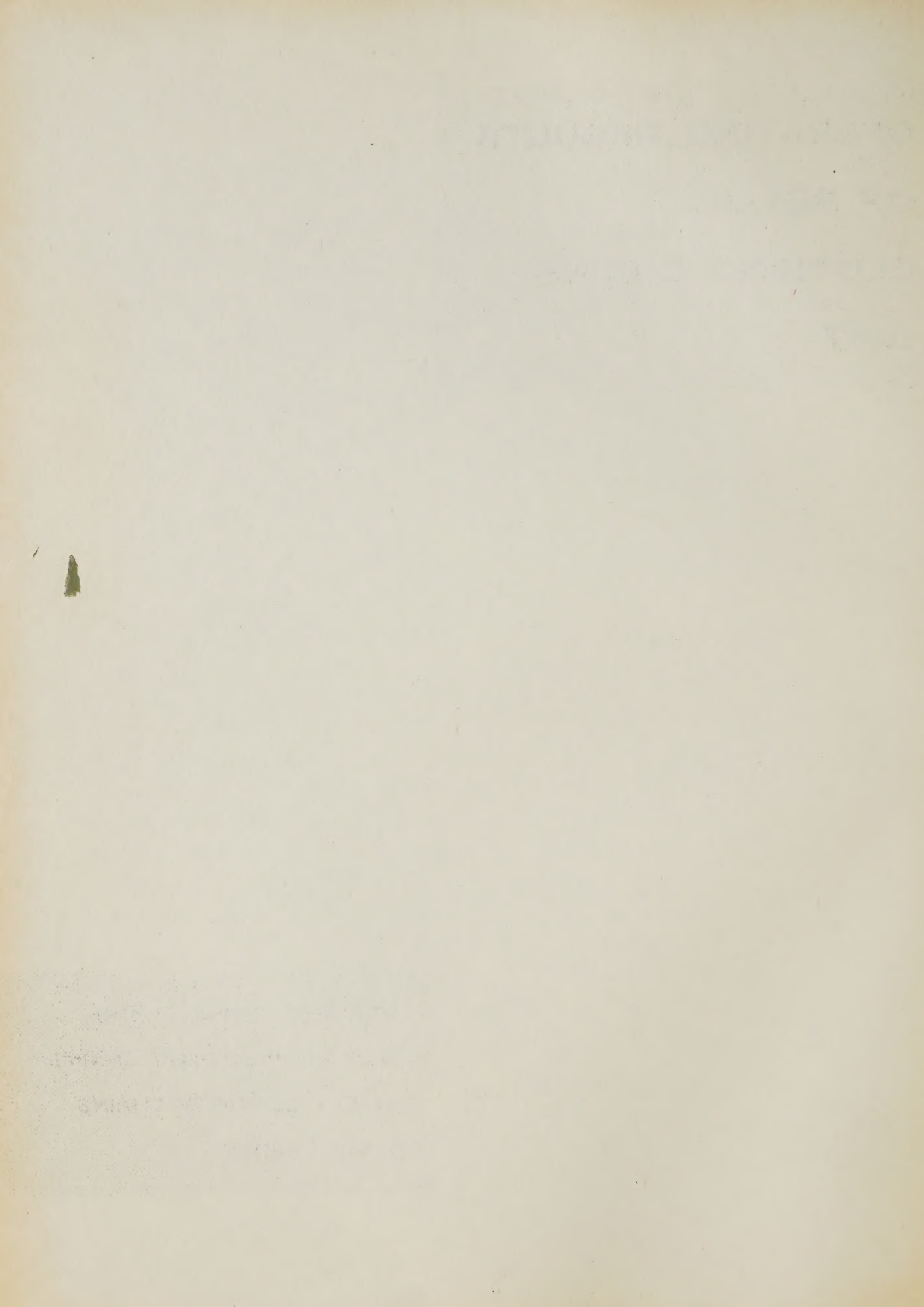
CHAIN STORES

1947



**OPERATING RESULTS
OF RETAIL
CLOTHING CHAINS
1947**

**MEN'S CLOTHING CHAINS
WOMEN'S CLOTHING CHAINS
FAMILY CLOTHING CHAINS
SHOE CHAINS**



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FACSIMILE OF THE SCHEDULE

CONFIDENTIAL

One copy of this form, properly completed, should be returned on or before

File no.



DOMINION BUREAU OF STATISTICS MERCHANDISING AND SERVICES OTTAWA

OPERATING COSTS - RETAIL CHAINS

1947

The returns from this inquiry will be used in the preparation of a report which will be published for general use of the trade, providing information on average operating results and profits against which the individual firm may compare its own results.

All replies will be treated as strictly confidential. Figures for all firms in the same line of business will be combined and average results only will be shown. Your report will not be used for income tax purposes or divulged to any other government department.

All figures should relate to the calendar year or to your fiscal year conforming most closely to the calendar year. PLEASE answer all questions, inserting 'nil' if the answer is none.

I. DESCRIPTION OF BUSINESS

- (1) Name of firm
- (2) Head office address
- (3) Kind of business
(such as grocery, meats, variety, men's- women's clothing, drugs, etc.)
- (4) On the following dates the number of units in operation was:
(a) Jan. 1, 1947 (b) June 30, 1947 (c) Dec. 31, 1947
- (5) We operated in rented premises ☐, owned premises ☐, some rented and some owned ☐.
(check only one square)

The number of owned and rented premises in each type of establishment was:-

| | <u>Head office</u> | <u>Warehouse(s)</u> | <u>Stores</u> |
|--------|--------------------|---------------------|---------------|
| Owned | | | |
| Rented | | | |

- (6) This report does not include any wholesale business ☐, includes wholesale ☐ to the extent of% . (Insert estimated percentage)
- (7) This business is a corporation ☐, partnership ☐, individual proprietorship ☐.

II. PROFIT AND LOSS STATEMENT, 1947:

MERCHANDISING STATEMENT

A.

- (1) Gross sales for the year. Include meals sold or consumed, receipts from repair or other service, goods taken for personal use. Exclude sales tax and non-trading revenues. \$
- (2) Returns from and allowances to customers \$
- (3) NET SALES (item 1 minus 2) \$
- (4) NET INVENTORY OF MERCHANDISE at beginning of year:
In warehouse \$
In stores \$
- (5) Merchandise purchased for resale at invoice value, less returns, allowances, cash and trade discounts \$
- (6) Inward freight, express and truckage \$
- (7) Total of beginning inventory, purchases and freight \$
- (8) NET INVENTORY OF MERCHANDISE at end of year:
In warehouse \$
In stores \$
- (9) COST OF MERCHANDISE SOLD (item 7 minus 8) \$
- (10) GROSS MARGIN OR PROFIT (item 3 minus 9) \$

(OVER)

E. EXPENSE STATEMENT

| | Head Office and general | Warehouse | Stores | Total |
|---|----------------------------|-----------|--------|-------|
| | \$ | \$ | \$ | \$ |
| (1) Payroll - before any deductions | | | | |
| (a) To executives and proprietors - include managers | | | | |
| (b) To employees | | | | |
| (2) Payments by the firm to employee pension funds, unemployment insurance, or other staff benefits such as hospitalization, insurance etc., which are not deducted from payroll. | | | | |
| (3) Tenancy costs - taxes, insurance, repairs and depreciation on owned real estate and rentals on rented premises | | | | |
| (4) Taxes - except on real estate and federal income tax; include taxes and licences imposed by provincial and local governments; sales taxes collected directly from the customer are to be excluded entirely from this report. | | | | |
| (5) Repairs and maintenance to fixtures and equipment, including delivery equipment . | | | | |
| (6) Depreciation on fixtures and equipment, including delivery equipment | | | | |
| (7) Supplies - wrapping paper, twine, office supplies, gas and oil for trucks, etc. . | | | | |
| (8) Heat, light, and power used during the year . | | | | |
| (9) Advertising | | XXXXXX | | |
| (10) Travelling expenses | | XXXXXX | XXXXXX | |
| (11) Communication - telephone, telegraph, postage | | | | |
| (12) Loss on bad debts - amount written off less amount recovered | | XXXXXX | XXXXXX | |
| (13) All other expenses - interest on loans, bank charges, professional fees, etc. | | | | |
| (14) <u>TOTAL EXPENSES</u> (total of items 1 to 13 inclusive) | | | | |

C. NET GAIN STATEMENT

| | |
|--|----|
| (1) <u>OPERATING PROFIT OR LOSS</u> (item A(10) minus B(14)) | \$ |
| (2) Federal income tax, 1947 | \$ |
| (3) <u>NET GAIN OR LOSS</u> (before dividends or profit sharing) | \$ |

III. MISCELLANEOUS INFORMATION

- (1) If not incorporated, please state the number of proprietors and their salaries or a fair charge for their services. Number _____ Salaries \$ _____
Are these included in item B-1 (a) of section II above? (Yes or No) _____
- (2) What was the value of customers' accounts outstanding at the end of the year?
Include charge accounts, open accounts, instalment accounts or other receivables. Do not include accounts written off. \$ _____

NOTES ON EXPENSE STATEMENT

1. Tenancy - In some instances heat or light may be included in rentals. If this is the case, please indicate in item 6 that these charges are included in item 3.
2. Delivery - Charges for delivery from warehouse to stores should come under warehouse expense whether trucks are owned and operated by the firm or delivery is on a contract basis. Delivery to customers should be reported as store expense.

DOMINION BUREAU OF STATISTICS
MERCHANDISING AND SERVICES SECTION
OTTAWA

Dominion Statistician: HERBERT MARSHALL
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Series, 1947

No. 11

16-7071

OPERATING RESULTS OF RETAIL CLOTHING CHAINS, 1947

Content of the Bulletin

This publication contains the results of a survey on the operations of retail clothing chains in 1947, including men's clothing, women's clothing, family clothing and shoe chains. The study is the first detailed inquiry made by the Dominion Bureau of Statistics into operating costs of this phase of retailing.

There will be two additional publications in the 1947 chain store operations series, one outlining ratios for the three types of food chains -- grocery, combination and meat chains -- the other, containing data for variety, furniture and drug chains.

Purpose of the Survey

The costs of distribution, and the allocation of these costs has become the focus of attention of merchants, the general public and government in recent years. While distribution expenses are by no means confined to middlemen and retailers, the approach to the problem of assessing these costs must be made through these types of business organization. The Bureau has carried on extensive studies into the operating expenses of independent retailers, first for the year 1938, and again for 1944, 1945 and 1946.

As a result of requests from the trade, from individuals and from trade associations, it became apparent that the remaining distributive agencies should be surveyed for operating costs. The result has been studies on the operations of retail chains and wholesalers proper covering the year 1947.

What is Distribution?

The three major channels of distribution -- independent retail firms, chain store firms and wholesalers -- leave untouched much of the field of distribution costs.

The conversion of goods from raw materials to finished products, and the placing of commodities before consumers involves the processes of production and distribution. The distinction between the two terms as made by economics seems quite clear cut. Production involves the addition of physical or form utilities to goods, by means of such acts as processing, fabrication, and transformation. Distribution, on the other hand, involves the addition of time and place utilities to goods, by such means as transportation, storage, merchandising, display, advertising, expenses of carrying stocks (spoilage, shrinkage), losses from bad debts and financing.

It becomes evident from the consideration of this distinction that distribution costs are not limited to the handling of finished consumers' goods, and that a large part of such expense is borne by primary producers and manufacturers during the early stages of fabrication or processing of commodities. The transportation of raw materials, expenses of storage while awaiting processing, financing of inventories, are all distribution costs incurred before the end-product is ready for the ultimate consumer.

While the producer and processor assume some of the costs of distribution, the retailer and wholesaler may take on certain productive functions. Wholesalers may package and repack commodities while certain retailers such as clothiers finish off semi-ready garments or make alterations on finished clothing.

Although the distinction between production and distribution is a useful one, and serves to separate major functions, there are costs which are not clearly one or the other. Some of these difficult to allocate are insurance, financing, taxes, service department costs, and executive salaries. The list is not exhaustive, but where it is impossible to make a clear-cut division of functions, costs are often apportioned on a pro-rata basis, decided upon by the relative expense ratios of more easily allocated functions, such as selling salaries, store occupancy expense, advertising etc.

Distribution costs, therefore, are not limited to middlemen or retailers but are a part of the interlocking distribution-production system which prepares finished goods and places them before the consumer. The practical distinction between distribution and production is made, however, by dividing industry into units which perform chiefly either productive or distributive functions.

Major distributive agencies may be classified as follows:

Wholesalers or the Intermediary Trade

Wholesalers proper
Manufactures' sales branches or
offices
Petroleum bulk tank stations
Agents and Brokers
Assemblers of primary products
Other types of operation

Retailers

Independent Retailers
Independent Consumer Co-operatives
Chains - Voluntary chains
Chains under central owner-
ship and control.
Retail co-operative chains.

Relative importance to total trading of chain organizations is brought out by the table below.

| <u>Retail Trade</u> | <u>Percent</u> |
|---------------------|----------------|
| Independents | 81.1 |
| Chains | 18.7 |
| Other types | 0.2 |
| | 100.0 |

Source: 1941 Census,
Vol. X, Table 13,
P. 398

A comparison between clothing trades in terms of the relative importance of chain and independent form of organization in 1941 is demonstrated by the following table:

Comparison of Chain Sales to Total Sales 1941, 1946

| Kind of Business | 1941 Total Sales | 1941 Chain Sales | Percentage of Chain Store Sales to Total Sales | |
|---|---------------------|---------------------|--|-----------|
| | | | 1941 % | 1946 % |
| Men's and boys' clothing & furnishings. | 79,873,300 | 9,498,700 | 11.9 | 10.1 |
| Women's apparel and accessory stores | 97,522,100 | 12,438,300 | 12.8 | 14.1 |
| Family clothing stores . | 73,778,900 | 13,943,500 | 18.8 | (a) |
| Shoe stores | 44,037,300 | 16,312,600 | 37.0 | 37.0 |

Source - 1941 Census, Vol. X, Table 2, p. 557.

(a) Not available.

The Schedule

A sample questionnaire was drawn up in the Bureau and despatched to the firms in the various trades surveyed. An accompanying letter requested that the companies make suggestions in order that the form be designed in such a way that it could be filled out with a minimum of effort from existing accounting records. The suggestions received were invaluable in the format of the final form.

A facsimile of this final schedule is presented on page 2 to help clarify meanings of terms used.

Methods

The ten kinds of business in the survey were selected for their importance in the field of retail distribution. As the majority of firms indicated that they could not give results for individual stores, a consolidated report only for each firm was required. When received, some returns could not be used for such reasons as manufacturing activities or outside wholesaling for which expenses could not be separated from retailing costs. Where the number of reports was sufficient, the results were tabulated according to the most suitable sales-size range. In most reports, no clear distinction between head office, warehouse and store expense was made, so that results for these functions are shown separately for only a few kinds of business. The salaries of proprietors of unincorporated firms are included with executive salaries. Income tax tabulation was made only for incorporated firms.

As with all surveys conducted by the Bureau, average results only are shown, and all information submitted by the co-operating firms has been kept in strictest confidence. This study does not replace the regular annual survey of retail chains which takes in all kinds of business and covers such items as: number of stores, net retail sales, salaries, store and warehouse stocks and customers' accounts outstanding.

RESULTS OF THE SURVEY.

All known chain firms in the retail clothing trade were canvassed by mail in this survey. A few were excluded as not typical of one of the four trades tabulated, but coverage was nearly complete. A comparison of some items of expense and profit between the four kinds of business is shown below.

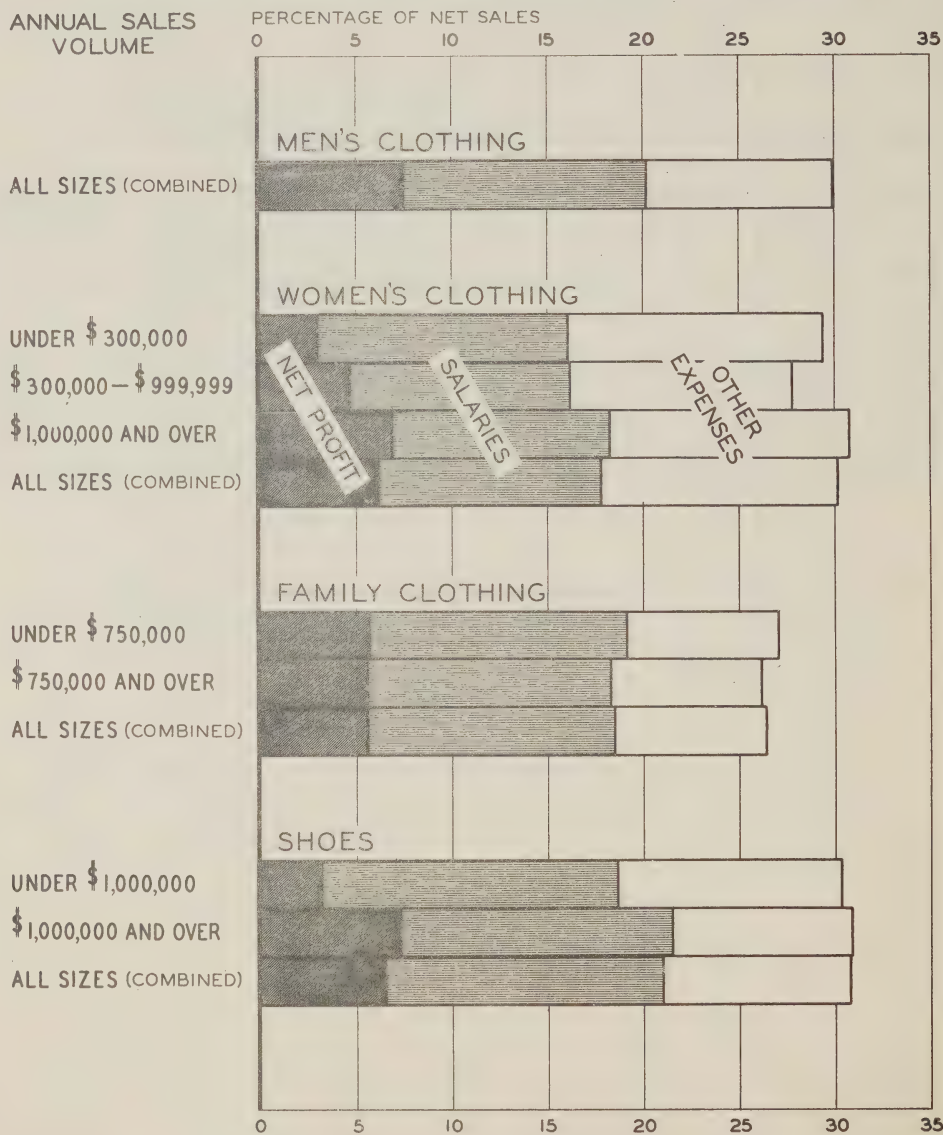
Retail Clothing Chains - Main Profit and Loss Items Compared, 1947

| Kind of Business | Average Sales per Store | Gross Profit | Salary Expense | Occu-pancy | Total Expenses | Net Profit Before Taxes |
|---------------------|--|--------------|----------------|------------|----------------|-------------------------|
| | (Items expressed as percentage of net sales) | | | | | |
| | \$ | % | % | % | % | % |
| Men's clothing | 168,467 | 29.95 | 12.66 | 2.92 | 22.41 | 7.54 |
| Women's clothing .. | 86,094 | 30.18 | 11.59 | 4.53 | 24.03 | 6.15 |
| Family clothing ... | 244,759 | 26.38 | 12.86 | 1.74 | 20.78 | 5.60 |
| Shoes | 52,895 | 30.75 | 14.45 | 4.19 | 24.23 | 6.52 |

Where shown separately, on the returns, the salaries of store managers were tabulated with store employees. Executive salaries in this report, therefore, comprise only those of head office executives.

OPERATING RESULTS OF RETAIL CLOTHING CHAINS, 1947

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES



NOTE:—NET PROFIT IS BEFORE INCOME TAX DEDUCTION.

MEN'S CLOTHING CHAINS.

Nine reports on the operations of men's retail clothing chains were completed satisfactorily and were used in this survey. The six incorporated and three unincorporated companies operated 51 outlets.

Although most of the firms in this kind of business were included, there were too few to permit a breakdown by size of business.

1. Average sales of the 9 chains in 1947 were \$954,646 and the average sales per store, \$168,467.
2. Average gross profit in men's clothing chains amounted to 29.95 per cent of net sales. After deducting expenses of 22.41 per cent, an operating profit of 7.54 per cent resulted before deduction of income taxes.
3. Major expense items were salaries (12.66%), occupancy (2.92%) and advertising (2.11%).
4. Inventories at the beginning of the year amounted to 15.33 per cent of net sales while ending inventories had increased to 21.32 per cent. Calculated on cost of goods sold, the average stock was turned over 3.8 times in the year.
5. Incorporated firms in this trade showed operating results very similar to unincorporated businesses but derived a slightly lower total expense ratio. Final net profit after deductions for income tax for these firms averaged 4.29 per cent.

Incorporated Men's Clothing Chains

| <u>Percent of Net Sales</u> | |
|-----------------------------|--------------|
| | <u>%</u> |
| Net sales | 100.00 |
| Gross profit | 29.95 |
| Total expenses | <u>22.37</u> |
| Operating profit .. | 7.58 |
| Income tax | <u>3.29</u> |
| Net profit | 4.29 |

Table 1. - OPERATING RESULTS OF MEN'S CLOTHING CHAINS, 1947

| Item | All firms combined (9 firms - 51 stores) | |
|--------------------------------------|---|-------------------------|
| | Average per store | Percent of net sales |
| | \$ | % |
| Net sales | 168,467 | 100.00 |
| Cost of goods sold | 118,017 | 70.05 |
| Beginning inventory | 25,836 | 15.33 |
| Ending inventory | 35,916 | 21.32 |
| Stock turnover (times per year) | 3.8 | |

Profit and Loss Data
(Items expressed as percentage of net sales)

| | | |
|--------------------------------------|--------|-------|
| Gross margin or profit | 50,450 | 29.95 |
| Operating expenses: | | |
| Executive salaries | 2,517 | 1.49 |
| Employees' salaries | 18,811 | 11.17 |
| Staff benefits | 456 | 0.27 |
| Occupancy | 4,912 | 2.92 |
| Taxes (1) | 943 | 0.56 |
| Repairs (1) | 303 | 0.18 |
| Depreciation (1) | 546 | 0.32 |
| Supplies | 1,730 | 1.03 |
| Heat, light, and power | 700 | 0.41 |
| Advertising | 3,554 | 2.11 |
| Travel expense | 363 | 0.22 |
| Communication | 334 | 0.20 |
| Bad debts | 120 | 0.07 |
| All other expenses | 2,459 | 1.46 |
| Total operating expenses | 37,748 | 22.41 |
| Operating profit before income taxes | 12,702 | 7.54 |

(1) Excludes amount attributed to real estate which is included in occupancy.

WOMEN'S CLOTHING CHAINS.

Reports suitable for inclusion in this study were received from 26 chain firms dealing in women's clothing. Millinery shops and furriers were excluded because these dealt exclusively in certain limited commodity ranges. Chains included were those dealing in a general line of women's ready-to-wear clothing and accessories. Unfortunately there were too few chain firms in the millinery or fur lines to permit publication of separate results.

The 17 incorporated and 9 unincorporated firms were evenly distributed as to size, nine whose 1947 sales range was from \$1,000,000 to \$3,000,000, eight between \$300,000 and \$1,000,000 and nine below \$300,000. The 26 companies operated a total of 269 retail outlets.

The majority of the firms in the largest size class were able to provide a breakdown between store expense and head office and warehouse expense, the latter two functions combined. All advertising was attributed to stores and all travelling expenses to head office. Too few firms in the other size classes separated store, warehouse and head office expenses to permit analysis.

1. Firms in the group of chains with largest net sales obtained an average gross profit of 30.84 per cent of net sales, the middle group 27.84 and the smallest size firms 29.43 per cent. Average gross margin was 30.18 per cent.
2. When expenses were deducted, net profit before income taxes varied directly with size of business in the three size groups - the ratios were 6.88 per cent of net sales in the largest size group, 4.69 in the middle and 2.97 in the smallest. A distribution of profits as compared to net sales indicated that while a few small firms obtained large net profit ratios, and a few of the larger firms lower than average profits there was a direct positive relationship between volume of sales and percentage profit.
3. Inventories were greater at the end of the year than at the beginning except in the largest size group and ranged from 10.94 per cent to 19.71 per cent of net sales. Stock was turned over more often in the larger stores, ranging from 6.1 in the largest class to 4.0 times per year in the smallest.
4. The ratio of salaries was similar for the two largest groups with head office executive at 2.42 and 2.39 per cent and employees at 9.04 and 9.02 per cent of net sales. The smallest size class paid executives 2.21 per cent and employees 10.93 per cent. Salaries paid accounted for approximately 48 per cent of total expenses in all women's retail clothing chains. (Table 2).

5. Incorporated firms, including all the largest size firms and five in the middle range, had net gains of 3.82 per cent and 2.59 per cent respectively after income taxes had been deducted from operating profit.

Incorporated Women's Clothing Chains, 1947
Percent of Net Sales

| | \$300,000 to \$999,999 | \$1,000,000 and over |
|------------------------|---------------------------|-------------------------|
| Gross profit | 29.54 | 30.84 |
| Total expenses | 25.22 | 23.96 |
| Operating profit | 4.32 | 6.88 |
| Income tax | 1.73 | 3.06 |
| Net profit | 2.59 | 3.82 |

6. Store expenses in the firms whose sales were over \$1,000,000 in 1947 accounted for approximately three quarters of total expenses for that group, warehouse and head office costs making up the remaining quarter. Out of every hundred dollars paid in salaries, store and head office employees received \$79, and executives \$21. (Table 3).

Table 2. - OPERATING RESULTS OF WOMEN'S CLOTHING CHAINS, 1947

By Size of Firm

| Item | Under \$300,000 | \$300,000 to \$999,999 | \$1,000,000 and over | Total |
|-----------------------------------|--------------------|---------------------------|-------------------------|---------|
| Number of firms | 9 | 8 | 9 | 26 |
| Number of stores | 45 | 48 | 176 | 269 |
| Average sales per chain \$ | 222,584 | 512,703 | 1,894,935 | 890,742 |
| Average sales per store \$ | 44,517 | 85,450 | 96,900 | 86,094 |
| Average cost of goods sold ... \$ | 31,416 | 61,664 | 67,019 | 60,108 |
| Average inventory per store | | | | |
| Beginning of year \$ | 6,906 | 12,511 | 11,291 | 10,775 |
| End of year \$ | 8,776 | 15,116 | 10,603 | 11,102 |
| Stock turnover (times per year). | 4.0 | 4.5 | 6.1 | 5.5 |

Profit and Loss Data

(Items expressed as percentage of net sales)

| | | | | |
|---|-------|-------|-------|-------|
| Gross margin or profit | 29.43 | 27.84 | 30.84 | 30.18 |
| Operating expenses: | | | | |
| Salaries - executive | 2.21 | 2.39 | 2.42 | 2.39 |
| - employees | 10.93 | 9.02 | 9.04 | 9.20 |
| Employees' benefits | 0.22 | 0.12 | 0.13 | 0.14 |
| Occupancy | 4.63 | 3.31 | 4.82 | 4.53 |
| Taxes (1) | 0.26 | 0.29 | 0.38 | 0.35 |
| Repairs and maintenance (1) .. | 0.51 | 0.32 | 0.82 | 0.70 |
| Depreciation (1) | 0.77 | 0.55 | 0.60 | 0.61 |
| Supplies | 1.05 | 1.34 | 0.91 | 1.00 |
| Heat, light and power | 0.67 | 0.72 | 0.53 | 0.57 |
| Advertising | 1.66 | 2.03 | 1.56 | 1.65 |
| Travelling expense | 0.68 | 0.38 | 0.31 | 0.36 |
| Communication | 0.31 | 0.21 | 0.29 | 0.28 |
| Bad debt losses | 0.06 | 0.09 | 0.03 | 0.05 |
| All other expenses | 2.50 | 2.38 | 2.12 | 2.20 |
| Total operating expenses | 26.46 | 23.15 | 23.96 | 24.03 |
| Operating profit before income taxes | 2.97 | 4.69 | 6.88 | 6.15 |

(1) Excludes amount attributed to real estate which is included in occupancy.

Table 3. - OPERATING EXPENSES OF WOMEN'S CLOTHING CHAINS, 1947
Head office and warehouse compared with stores.

(Size range - over \$1,000,000)

| Item | Head Office and Warehouse | Stores | Total |
|--------------------------------|------------------------------|--------|-------|
| Salaries - executive | 2.42 | - | 2.42 |
| - employees | 2.12 | 6.92 | 9.04 |
| Employees' benefits | 0.05 | 0.08 | 0.13 |
| Occupancy | 0.48 | 4.34 | 4.82 |
| Taxes | 0.02 | 0.36 | 0.38 |
| Repairs and maintenance | 0.05 | 0.77 | 0.82 |
| Depreciation | 0.14 | 0.46 | 0.60 |
| Supplies | 0.27 | 0.64 | 0.91 |
| Heat, light and power | 0.04 | 0.49 | 0.53 |
| Advertising | - | 1.56 | 1.56 |
| Travelling | 0.31 | - | 0.31 |
| Communication | 0.13 | 0.16 | 0.29 |
| Bad debt losses | 0.03 | - | 0.03 |
| All other expenses | 1.01 | 1.11 | 2.12 |
| Total operating expenses | 7.07 | 16.89 | 23.96 |

FAMILY CLOTHING CHAINS.

Thirteen chain firms selling a combination of men's, women's and children's clothing submitted reports suitable for this survey. There were 5 firms with sales over \$750,000 and 8 with annual net sales under that figure. A total of 77 stores was operated by these firms.

1. Average sales per store at \$244,759 were the highest in the clothing group. Both gross and net profit were the lowest of the four trades, at 26.38 and 5.60 per cent of net sales respectively. These ratios may be a function of average store size rather than kind of business. Net profit ratios for independent family clothing outlets occupying owned premises in 1946 ranged from 17.0 per cent for stores under annual \$10,000 net sales to 10.1 per cent for those over \$100,000.
2. The smaller size group of firms obtained a greater average gross margin or profit than did the large size class (27.11 and 26.17 per cent respectively) but a greater expense ratio resulted in a similar percentage of net profit.
3. Inventories were greater in dollar volume at the end of the year than at the beginning. Values of stocks averaged 21.48 and 15.44 per cent of net sales for the respective dates. The larger firms obtained a stock turnover rate of 4.2 times in the year as compared to a 3.4 rate for the firms with sales under \$750,000.
4. Major operating ratios of incorporated firms, constituting all 5 of the large class and 6 of the smaller are shown below.

Incorporated Family Clothing Chains

(Percent of net sales)

| Item | Under \$750,000 | \$750,000 and over |
|------------------------|--------------------|-----------------------|
| Sales | 100.00 | 100.00 |
| Gross profit | 26.69 | 26.18 |
| Total expenses | 20.27 | 20.61 |
| Operating profit | 6.42 | 5.57 |
| Income tax | 2.35 | 2.64 |
| Net profit | 4.07 | 2.93 |

Table 4. - OPERATING RESULTS OF FAMILY CLOTHING CHAINS, 1947

| By Size of Firm | | | |
|--|--------------------|-----------------------|-----------|
| Item | Under \$750,000 | \$750,000 and over | Total |
| Number of firms | 8 | 5 | 13 |
| Number of stores | 43 | 34 | 77 |
| Average sales per chain \$ | 508,443 | 2,955,776 | 1,449,725 |
| per store \$ | 94,594 | 434,673 | 244,759 |
| Average cost of goods sold ... \$ | 68,948 | 320,893 | 180,196 |
| Average store inventory - | | | |
| Beginning of year \$ | 18,500 | 62,187 | 37,790 |
| Ending of year \$ | 22,334 | 90,840 | 52,584 |
| Stock turnover (times per year). | 3.4 | 4.2 | 4.0 |
| Profit and Loss Data (Items expressed as percentage of net sales) | | | |
| Gross margin or profit | 27.11 | 26.17 | 26.38 |
| Operating expenses: | | | |
| Salaries - executive | 3.18 | 2.26 | 2.46 |
| - employees | 10.37 | 10.41 | 10.40 |
| Employees' benefits | 0.04 | 0.13 | 0.11 |
| Occupancy | 2.69 | 1.48 | 1.74 |
| Taxes (1) | 0.26 | 0.28 | 0.28 |
| Repairs and maintenance (1) .. | 0.40 | 0.27 | 0.30 |
| Depreciation (1) | 0.33 | 0.21 | 0.24 |
| Supplies | 0.56 | 0.47 | 0.49 |
| Heat, light and power | 0.42 | 0.45 | 0.44 |
| Advertising | 0.95 | 1.64 | 1.49 |
| Travelling expense | 0.58 | 0.42 | 0.45 |
| Communication | 0.23 | 0.61 | 0.53 |
| Bad debt losses | 0.17 | 0.12 | 0.13 |
| All other expenses | 1.20 | 1.86 | 1.72 |
| Total operating expenses | 21.38 | 20.61 | 20.78 |
| Operating profit, before income taxes | 5.73 | 5.56 | 5.60 |

(1) Excludes amount attributed to real estate which is included in occupancy.

SHOE CHAINS.

Completed returns were received from 22 retail shoe chains operating 444 stores in Canada in 1947. Of these, 16 were incorporated companies and 6 partnerships or individual proprietorships.

It was possible to divide the returns into two size classes, over \$1,000,000 and under \$1,000,000 annual net sales. The firms were not scattered in size to any extent. In the smaller size class the majority were in the \$300,000 to \$500,000 range while most firms in the larger class lay between \$1,000,000 and \$2,000,000 net sales. Too few firms gave a breakdown of executive and employees' salaries to permit separate publication. This was also true of the expense breakdown between head office, warehouse, and store functions.

1. Gross profits were very similar in retail shoe chains with net sales over and under \$1,000,000 but expenses were proportionately greater in the smaller class. The resulting net profit ratios before income tax deductions were 7.30 per cent and 3.14 per cent respectively. (Table 5).
2. Analysis of individual reports showed a close relationship between operating profit and net sales. Where shoe chains had sales of over \$1,000,000, net profit ratios showed a sharp upward trend. From \$200,000 to \$500,000, the net profit ratio was fairly constant in the neighborhood of 2 per cent to 4 per cent of net sales.
3. Advertising was the only item of expense on which the larger group of firms expended a considerably greater ratio of net sales than the smaller class. The greatest difference between the two sizes was in salaries, depreciation and "all other" expense categories. Approximately \$60 out of every \$100 expense went to salaries and wages. (Table 5).
4. The following table summarizes the essential data on the incorporated firms in the survey of which there were 8 in each size range.

Incorporated Shoe Chains, 1947

Items shown as per cent of net sales

| Item | Under \$1,000,000 | \$1,000,000 and over |
|------------------------|----------------------|-------------------------|
| Gross profit | 30.94 | 31.56 |
| Total expenses | 28.05 | 23.71 |
| Operating profit | 2.89 | 7.85 |
| Income tax | 1.08 | 3.67 |
| Net profit | 1.81 | 4.18 |

5. Analysis showed little relationship between ratios of net profit to advertising expenditures, stock turnover, salaries or average sales per store.

Table 5. - OPERATING RESULTS OF RETAIL SHOE CHAINS, 1947

| By Size of Firm | | | |
|-----------------------------------|----------------------|-------------------------|-----------|
| Item | Under \$1,000,000 | \$1,000,000 and over | Total |
| Number of firms | 12 | 10 | 22 |
| Number of stores | 93 | 351 | 444 |
| Average sales per chain \$ | 368,515 | 1,906,340 | 1,067,526 |
| per store \$ | 47,550 | 54,312 | 52,895 |
| Average cost of goods sold ... \$ | 33,151 | 37,551 | 36,629 |
| Average store inventory - | | | |
| Beginning of year \$ | 11,098 | 12,561 | 12,255 |
| End of year \$ | 12,780 | 16,188 | 15,474 |
| Stock turnover (times per year). | 2.8 | 2.6 | 2.6 |

| Profit and Loss Data (Items expressed as percentage of net sales) | | | |
|--|-------|-------|-------|
| Gross margin or profit | 30.28 | 30.86 | 30.75 |
| Operating expenses: | | | |
| Salaries - executive and employees | 15.59 | 14.18 | 14.45 |
| Employees' benefits | 0.11 | 0.10 | 0.10 |
| Occupancy | 4.18 | 4.19 | 4.19 |
| Taxes (1) | 0.38 | 0.26 | 0.28 |
| Repairs (1) | 0.42 | 0.17 | 0.22 |
| Depreciation (1) | 0.65 | 0.27 | 0.34 |
| Supplies | 0.78 | 0.79 | 0.78 |
| Heat, light and power | 0.67 | 0.57 | 0.59 |
| Advertising | 0.95 | 1.23 | 1.18 |
| Travelling expense | 0.45 | 0.22 | 0.27 |
| Communication | 0.27 | 0.19 | 0.20 |
| Bad debt losses | 0.01 | 0.01 | 0.01 |
| All other expenses | 2.68 | 1.38 | 1.62 |
| Total operating expenses | 27.14 | 23.56 | 24.23 |
| Operating profit before income taxes | 3.14 | 7.30 | 6.52 |

(1) Excludes amount attributed to real estate which is included in occupancy.

UNIVERSITY OF TORONTO
DEPT. OF POLITICAL ECONOMY

GOVERNMENT OF CANADA

OPERATING RESULTS
OF
CHAIN CLOTHING STORES
1949

^R D.B.S.
PUBLICATION



OPERATING RESULTS OF RETAIL CHAIN CLOTHING STORES 1949

Published by Authority of the RT. HON. C. D. HOWE
Minister of Trade and Commerce

Prepared in the Merchandising and Services Section
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NOTICE

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada — mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

Part I — Wholesale Statistics

- A. General Review
- B. Wholesale Trade
- C. Operating Results of Food Wholesalers
- D. Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers
- E. Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment)

Part II — Retail Statistics

- F. General Review
- G. Retail Trade
- H. Department Store Sales and Stocks
- I. Retail Chain Stores
- J. Operating Results of Food Store Chains
- K. Operating Results of Clothing Store Chains
- L. Operating Results of Miscellaneous Chain Stores (variety, drug, furniture)

Part III — Services and Special Fields

- M. Laundries, Cleaners and Dyers
- N. Theatres
- P. Advertising Agencies (Memorandum)
- Q. Sales Financing
- R. Farm Implement and Equipment Sales
- AA. New Motor Vehicle Sales and Motor Vehicle Financing

The reports are punched to permit of filing in a ring binder.

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OPERATING RESULTS - LIST OF REPORTS

WHOLESALE TRADE (1947 and 1949)

1. Food wholesalers.
2. Dry Goods, Piece Goods and Footwear Wholesalers.
3. Miscellaneous Wholesalers (automotive equipment, drugs, hardware, heating and plumbing supplies).

INDEPENDENT RETAIL STORES (1944, 1945, 1946 and 1948)

1. Food Stores.
2. Clothing Stores.
3. Hardware, Furniture, Household Appliance and Radio Stores.
4. Filling Stations and Garages.
5. Miscellaneous Stores (country general, restaurants, fuel, drugs, jewellery and tobacco stores).

RETAIL CHAIN STORES (1947 and 1949)

1. Food Stores.
2. Clothing Stores.
3. Miscellaneous Stores (variety, drugs and furniture).

INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

Scope

Chain store firms are those which operate four or more retail outlets. Chain firms of four trades are covered in this bulletin — men's clothing, women's clothing, family clothing and shoe stores.

Content

This bulletin deals with profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size ranges. A breakdown of operating expenses between the functions of head office and warehouse, and stores is reported wherever possible. There were not enough firms in any of the apparel chain store categories to permit publication of regional results. Newfoundland results are not included in this report. Salaries of proprietors of unincorporated companies have been included with executive salaries. Income tax tabulation was made for incorporated companies only.

Purpose

The primary purpose of the operating costs surveys is to provide averages on the different phases of business operation against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Period Covered

This report deals with the 1949 operations and is the second biennial publication in a series begun in 1947. Certain summary tables and charts show comparative results for both years.

OPERATING RESULTS OF RETAIL CHAIN CLOTHING STORES

1949

SUMMARY OF 1949 RESULTS BY TRADES

The main profit and loss items for the four clothing trades are compared in the following summary table. More detailed informa-

tion is contained in separate sections of this bulletin where each trade is dealt with individually.

CHAIN CLOTHING STORES, 1949

Comparison of Main Profit and Loss Items

| Item | Men's clothing | Women's clothing | Family clothing | Shoes |
|--|----------------|------------------|-----------------|---------------|
| Number of firms..... | 9 | 23 | 15 | 23 |
| Average sales per firm..... | \$1, 042, 901 | \$1, 321, 874 | \$1, 499, 548 | \$1, 209, 964 |
| Rate of stock turnover (times per year)..... | 3.29 | 6.09 | 3.89 | 2.41 |
| PROFIT AND LOSS DATA: (Percentage of net sales) | | | | |
| Gross profit | 29.13 | 29.40 | 30.23 | 30.78 |
| Operating expenses..... | 25.57 | 25.32 | 27.58 | 25.85 |
| Net operating profit..... | 3.56 | 4.08 | 2.65 | 4.93 |
| Other income | 0.50 | 0.41 | 1.39 | 0.11 |
| Total net profit before income tax deduction..... | 4.06 | 4.49 | 4.04 | 5.04 |

Gross profits were close to 30% of sales for each of the four trades. Family clothing stores' operating expenses were highest and their net operating profit lowest, but other income of their stores was in excess of that

for the other trades. Chain shoe stores realized the highest net profit before deduction of income tax at 5.04% of net sales and family clothing stores the lowest at 4.04% of net sales.

OPERATING RESULTS OF CHAIN CLOTHING STORES

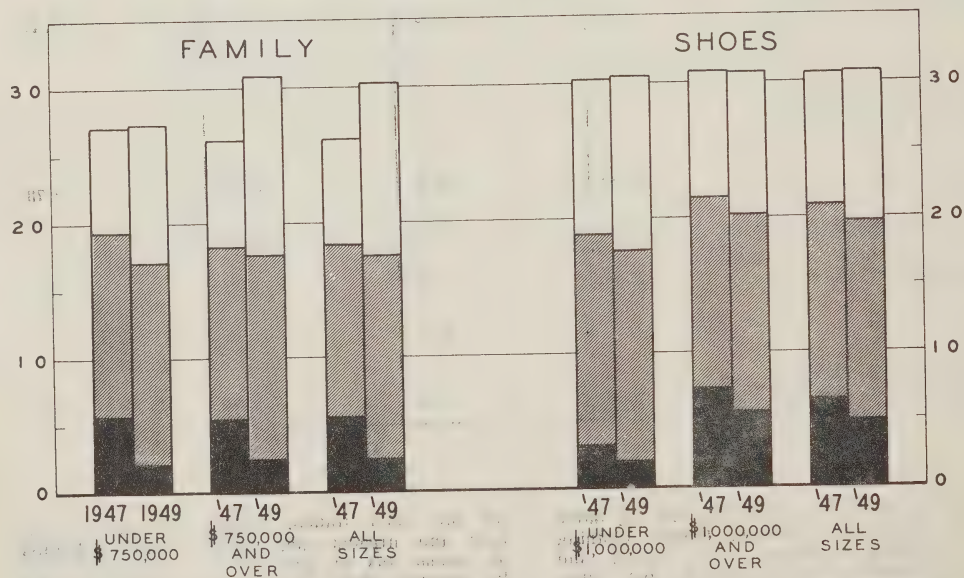
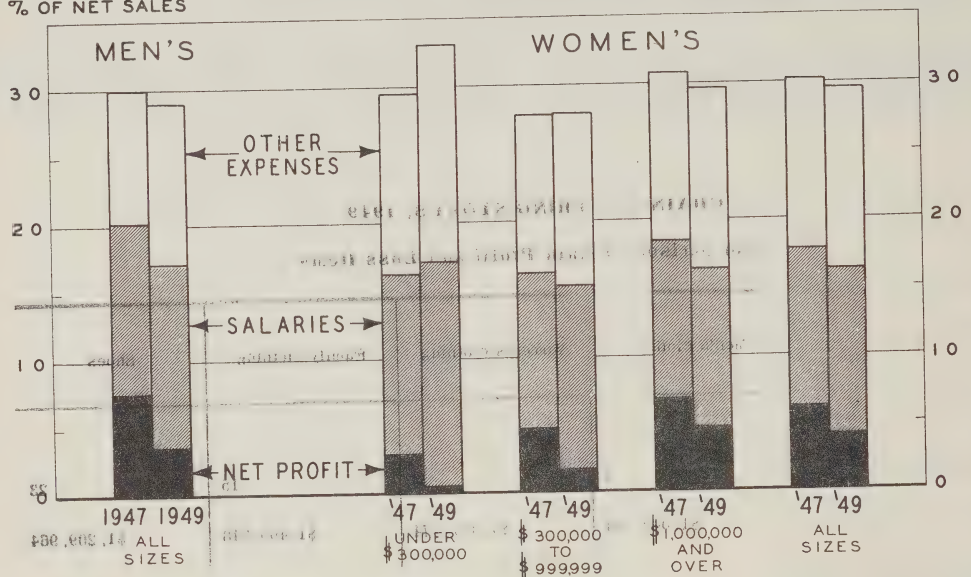
1947 AND 1949

BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

% OF NET SALES

% OF NET SALES



MEN'S CLOTHING STORES

Nine firms submitted reports covering 51 retail establishments. All except one were incorporated

companies. There were not enough firms to permit a breakdown by size of company.

REVIEW OF 1949 RESULTS

Profit and Loss Ratios

Men's clothing store chains obtained an average gross profit of 29.13% of net sales on their 1949 operations. Operating expenses were 25.57% of net sales and the resulting net profit was 3.56%. Salaries accounted for the largest share of operating expenses

(13.60%) with occupancy and advertising expenses at 3.51% and 2.99% of sales respectively. Net operating profit of 3.56% was increased to 4.06% by other income, but income tax deductions of 1.46% produced a final net profit of 2.60% of net sales.

Inventories and Stock Turnover

The average dollar volume of stock on hand at the end of the year was \$233,056 compared with \$215,575

held at the beginning of 1949. Stock was sold and replaced on an average of 3.29 times during the year.

TABLE 1. Operating Results of Chain Men's Clothing Stores, 1949

| Item | Total all sizes | Item | Total all sizes |
|---------------------------------------|-----------------|---------------------------------------|-----------------|
| Number of firms | 9 | PROFIT AND LOSS DATA - Con. | |
| Number of stores operated | 51 | (Per cent of net sales) | |
| Average sales per firm..... \$ | 1,042,901 | Operating expenses - Con.: | |
| Average cost of goods sold..... \$ | 739,110 | Heat, light and power..... | 0.41 |
| Average inventory per firm: | | Advertising | 2.99 |
| Beginning of year | \$ 215,575 | Travelling | 0.28 |
| Per cent of net sales..... | 20.67 | Communication | 0.23 |
| End of year | \$ 233,056 | Bad debt loss..... | 0.11 |
| Per cent of net sales..... | 22.35 | All other expenses | 1.71 |
| Stock turnover (times per year) | 3.29 | Total operating expenses..... | 25.57 |
| | | Net operating profit..... | 3.56 |
| | | Other income: | |
| PROFIT AND LOSS DATA | | Discounts earned | 0.25 |
| (Percent of net sales) | | Interest earned | 0.07 |
| Gross profit..... | 29.13 | Financing charges..... | 0.08 |
| Operating expenses: | | Bad debts recovered | 0.02 |
| Salaries - executives | 1.50 | Other..... | 0.08 |
| other employees..... | 12.10 | Total other income | 0.50 |
| Employees' benefits..... | 0.27 | Total net profit before income | |
| Occupancy | 3.51 | tax deduction..... | 4.06 |
| Taxes ¹ | 0.21 | <i>Income tax.....</i> | <i>1.46</i> |
| Repairs ¹ | 0.38 | Final net profit..... | 2.60 |
| Depreciation ¹ | 0.82 | | |
| Supplies | 1.05 | | |

1. Excludes amount attributed to real estate which is in occupancy expense.

Comparison of 1947 and 1949 Results

Results of some of the main profit and loss items for the two years are summarized below. All expense items absorbed greater proportions of the sales dollar in 1949 than they did in 1947. Total operating expenses rose from 22.41% of

net sales in 1947 to 25.57% in 1949. This expense increase, in the light of a slightly lower gross margin in 1949, produced a much smaller net profit — 3.56% in 1949 compared with 7.54% in 1947.

Main Operating Results Items for 1947 and 1949 Compared

(Items expressed as percentages of net sales)

| Item | 1947 (9 firms) | 1949 (9 firms) |
|---|-------------------|-------------------|
| | % | % |
| Gross profit..... | 29.95 | 29.13 |
| Operating expenses: | | |
| Salaries | 12.66 | 13.60 |
| Occupancy | 2.92 | 3.51 |
| Advertising..... | 2.11 | 2.99 |
| All other..... | 4.72 | 5.47 |
| Total operating expenses | 22.41 | 25.57 |
| Net profit without other income and before deduction of income tax..... | 7.54 | 3.56 |

WOMEN'S CLOTHING STORES

Reports from 23 firms were used in arriving at the results shown in this report. These were tabulated by three sales-size ranges. The 23 firms operated 274 retail stores. Income tax tabulation

was made for the 16 incorporated companies. This classification covers women's ready-to-wear chains. Specialty shops such as milliners or furriers were not included in this survey.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Firms in this trade operated on an average gross profit of 29.40% of net sales in 1949. Operating expenses amounted to 25.32% and left a net operating profit of 4.08% of net sales. Other income formed

0.41% of net sales and made a net profit before income tax deduction of 4.49% of net sales. Net profit was considerably higher in the larger than in the smaller firms. (See Table 2)

Inventories and Stock Turnover

Average inventories were higher at the end of the year than at the beginning in all size groups. The average for all firms rose from \$145,583 at

the beginning of the year to \$160,918 at the end. Stock was sold and replaced on an average of 6.09 times during the year. (See Table 2)

Incorporated Companies

Income tax paid by incorporated companies in 1949 amounted to 1.73% of net sales. This reduced

net profit of 4.69% to a final net profit amounting to 2.96% of net sales.

Operating Results of Incorporated Women's Clothing Stores, 1949

(Items expressed as percentages of net sales)

| Item | Firms with 1949 sales of | | | Total, all sizes |
|--|--------------------------|------------------------------|-------------------------|------------------------|
| | Under \$300,000 | \$300,000 to \$999,999 | \$1,000,000 and over | |
| | % | % | % | % |
| Gross profit | 31.55 | 30.18 | 29.58 | 29.67 |
| Operating expenses..... | 29.62 | 29.41 | 24.82 | 25.38 |
| Net operating profit | 1.93 | 0.77 | 4.76 | 4.29 |
| Other income | 0.46 | 0.37 | 0.41 | 0.40 |
| Total net profit before income tax deduction..... | 2.39 | 1.14 | 5.17 | 4.69 |
| <i>Income tax</i> | <i>0.82</i> | <i>0.24</i> | <i>1.93</i> | <i>1.73</i> |
| Final net profit | 1.57 | 0.90 | 3.24 | 2.96 |

Comparison of 1947 and 1949 Results

Results for the 26 firms which reported to the 1947 survey and the 23 reporting their 1949 operations are summarized below. Smaller gross profits in 1949, coupled with higher operating expenses

than in 1947, resulted in a considerably reduced average net profit. From 6.15% of net sales in 1947 net profit dropped to 4.08% of net sales in 1949.

Main Operating Results Items for 1947 and 1949 Compared

(Items expressed as percentages of net sales)

| Item | 1947 (26 firms) | 1949 (23 firms) |
|--|--------------------|--------------------|
| | % | % |
| Gross profit..... | 30.18 | 29.40 |
| Operating expenses: | | |
| Salaries | 11.59 | 12.14 |
| Occupancy | 4.53 | 4.81 |
| Advertising | 1.65 | 1.43 |
| All other..... | 6.26 | 6.94 |
| Total operating expenses | 24.03 | 25.32 |
| Net profit without other income and before deduction of income tax | 6.15 | 4.08 |

TABLE 2. Operating Results of Chain Women's Clothing Stores, By Size of Firm, 1949

| Item | Firms with 1949 sales of | | | Total, all sizes |
|---|--------------------------|---------------------------|-------------------------|------------------------|
| | Under \$300,000 | \$300,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms..... | 5 | 10 | 8 | 23 |
| Number of stores operated | 19 | 71 | 184 | 274 |
| Average sales per firm..... \$ | 170,084 | 529,882 | 3,031,731 | 1,321,874 |
| Average cost of goods sold..... \$ | 113,678 | 381,805 | 2,134,886 | 933,284 |
| Average inventory per firm: | | | | |
| Beginning of year..... \$ | 23,716 | 107,477 | 269,333 | 145,583 |
| Percent of net sales..... | 13.94 | 20.28 | 8.89 | 11.01 |
| End of year..... \$ | 28,344 | 109,289 | 308,312 | 160,918 |
| Percent of net sales..... | 16.66 | 20.63 | 10.17 | 12.17 |
| Stock turnover (times per year) | 4.37 | 3.52 | 7.39 | 6.09 |
| PROFIT AND LOSS DATA (Percent of net sales) | | | | |
| Gross profit..... | 33.16 | 27.94 | 29.58 | 29.40 |
| Operating expenses: | | | | |
| Salaries — executives | 5.32 | 2.75 | 1.45 | 1.79 |
| other employees..... | 11.94 | 11.03 | 10.15 | 10.35 |
| Employees' benefits..... | 0.15 | 0.19 | 0.12 | 0.13 |
| Occupancy | 4.94 | 4.97 | 4.77 | 4.81 |
| Taxes ¹ | 0.42 | 0.49 | 0.56 | 0.54 |
| Repairs ¹ | 0.65 | 0.47 | 0.74 | 0.69 |
| Depreciation ¹ | 0.99 | 0.92 | 0.94 | 0.94 |
| Supplies | 0.88 | 0.93 | 1.52 | 1.40 |
| Heat, light, and power | 0.55 | 0.66 | 0.52 | 0.55 |
| Advertising..... | 1.45 | 1.26 | 1.47 | 1.43 |
| Travelling..... | 0.75 | 0.34 | 0.35 | 0.36 |
| Communication..... | 0.37 | 0.29 | 0.32 | 0.31 |
| Bad debt loss..... | 0.25 | 0.13 | 0.03 | 0.06 |
| All other expenses..... | 3.99 | 2.00 | 1.88 | 1.96 |
| Total operating expenses | 32.65 | 26.43 | 24.82 | 25.32 |
| Net operating profit..... | 0.51 | 1.51 | 4.76 | 4.08 |
| Other trading income..... | 0.36 | 0.30 | 0.41 | 0.41 |
| Total net profit before income tax deduction..... | 0.87 | 1.81 | 5.17 | 4.49 |

1. Excludes amount attributed to real estate which is in occupancy expense.

FAMILY CLOTHING STORES

Fifteen chain store firms in this trade submitted satisfactory reports on their 1949 operations. For tabulation purposes these were divided into two sales-size groups — (under \$750,000 annual

net sales and \$750,000 and over). The 15 firms operated 95 retail stores. A separate tabulation was made to show income tax of the 13 incorporated firms.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Family clothing store chains operated on an average gross profit of 30.23% in 1949. Operating expenses amounted to 27.58% of net sales and left

a net operating profit of 2.65%. Other income of 1.39% gave a net profit before deduction of income tax amounting to 4.04% of net sales. (See Table 3)

Inventories and Stock Turnover

Average inventories were lower in dollar volume at the end of the year than at the beginning. This held true for both size brackets. The rate of stock turnover was more

rapid in the larger than in the smaller firms, 4.18 times compared with 3.08 times a year, and the average for all firms was 3.89 times. (See Table 3)

Incorporated Companies

The results of incorporated companies were very similar to the "all types" results. The larger firms obtained higher net profits than did the smaller.

Income tax amounting to 1.53% of net sales reduced a net profit of 4.03% including other income, to a final net gain of 2.50% of net sales.

Operating Results of Incorporated Family Clothing Stores, 1949

(Items expressed as percentages of net sales)

| Item | Firms with 1949 sales of | | Total, all sizes |
|--|--------------------------|-----------------------|------------------------|
| | Under \$750,000 | \$750,000 and over | |
| | % | % | % |
| Gross profit..... | 26.37 | 30.97 | 30.27 |
| Operating expenses..... | 24.60 | 28.23 | 27.67 |
| Net operating profit..... | 1.77 | 2.74 | 2.60 |
| Other income..... | 0.26 | 1.65 | 1.43 |
| Total net profit before income tax deduction..... | 2.03 | 4.39 | 4.03 |
| <i>Income tax.....</i> | <i>0.70</i> | <i>1.68</i> | <i>1.53</i> |
| Final net profit | 1.33 | 2.71 | 2.50 |

Comparison of 1947 and 1949 Results

The operating results of the 15 firms reporting 1949 figures and of the 13 firms which furnished 1947 results are compared in summary form below. Increased gross profits in 1949 were more than

offset by higher ratios of operating expenses to give net profits considerably below 1947 levels. From 5.60% of net sales in 1947 net profits dropped to 2.65% in 1949.

Main Operating Results Items for 1947 and 1949 Compared

(Items expressed as percentages of net sales)

| Item | 1947 (13 firms) | 1949 (15 firms) |
|---|-----------------|-----------------|
| | % | % |
| Gross profit..... | 26.38 | 30.23 |
| Operating expenses: | | |
| Salaries..... | 12.86 | 14.98 |
| Occupancy..... | 1.74 | 2.77 |
| Advertising..... | 1.49 | 2.86 |
| All other..... | 4.69 | 6.97 |
| Total operating expenses..... | 20.78 | 27.58 |
| Net profit without other income and before deduction of income tax..... | 5.60 | 2.65 |

TABLE 3. Operating Results of Chain Family Clothing Stores by Size of Firm, 1949

| Item | Firms with 1949 sales of | | Total, all sizes |
|---|--------------------------|--------------------|------------------|
| | Under \$750,000 | \$750,000 and over | |
| Number of firms..... | 8 | 7 | 15 |
| Number of stores operated..... | 44 | 51 | 95 |
| Average sales per firm..... \$ | 563,812 | 2,568,959 | 1,499,548 |
| Average cost of goods sold..... \$ | 409,921 | 1,773,424 | 1,046,233 |
| Average inventory per firm: | | | |
| Beginning of year..... \$ | 134,324 | 434,906 | 274,596 |
| Percent of net sales..... | 23.82 | 16.93 | 18.31 |
| End of year..... \$ | 132,263 | 413,728 | 263,614 |
| Percent of net sales..... | 23.46 | 16.10 | 17.58 |
| Stock turnover (times per year)..... | 3.08 | 4.18 | 3.89 |
| PROFIT AND LOSS DATA (Percent of net sales) | | | |
| Gross profit..... | 27.30 | 30.97 | 30.23 |
| Operating expenses: | | | |
| Salaries — executives..... | 2.88 | 1.54 | 1.80 |
| other employees..... | 12.02 | 13.46 | 13.18 |
| Employees' benefits..... | 0.10 | 0.25 | 0.22 |
| Occupancy..... | 2.93 | 2.73 | 2.77 |
| Taxes ¹ | 0.19 | 0.25 | 0.24 |
| Repairs ¹ | 0.59 | 0.24 | 0.31 |
| Depreciation ¹ | 0.70 | 0.58 | 0.60 |
| Supplies..... | 0.85 | 0.80 | 0.81 |
| Heat, light and power..... | 0.43 | 0.42 | 0.42 |
| Advertising..... | 1.77 | 3.14 | 2.86 |
| Travelling..... | 0.56 | 0.43 | 0.45 |
| Communication..... | 0.19 | 0.30 | 0.28 |
| Bad debt loss..... | 0.10 | 0.92 | 0.76 |
| All other expenses..... | 1.70 | 3.17 | 2.88 |
| Total operating expenses..... | 25.01 | 28.23 | 27.58 |
| Net operating profit..... | 2.29 | 2.74 | 2.65 |
| Other income: | | | |
| Discounts earned..... | 0.23 | 0.51 | 0.45 |
| Interest earned..... | — | 0.17 | 0.13 |
| Bad debts recovered..... | 0.02 | 0.54 | 0.44 |
| Other..... | 0.12 | 0.43 | 0.37 |
| Total other income..... | 0.37 | 1.65 | 1.39 |
| Total net income before income tax deduction..... | 2.66 | 4.39 | 4.04 |

1. Excludes amount attributed to real estate which is in occupancy expense.

SHOE STORES

Completed reports were received from 23 retail shoe chains on their 1949 operations. Of these,

16 were incorporated companies. The 23 firms operated a total of 497 retail outlets.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Shoe store chains operated on an average gross profit of 30.78% of sales in 1949. Salaries and wages, at 14.71% of net sales, accounted for

more than half the operating expense ratio of 25.85%. Net operating profit of 4.93% was augmented by other income of 0.11%. (See Table 4)

Inventories and Stock Turnover

Average inventory per firm increased from \$330,711 at the beginning of the year to \$365,022 at the end. Both size classes shared in this increase in

dollar volume of stock. The rate of stock turnover — cost of goods divided by average inventory — was 2.41 times per year for both size brackets. (See Table 4)

Incorporated Companies

The 16 incorporated firms obtained an average gross profit slightly higher than that for all firms. Lower operating expenses gave them a net operating

profit of 5.27% of sales. Other income of 0.10% and deduction of 2.10% for income tax produced a final net profit of 3.27% of net sales.

Operating Results of Incorporated Shoe Stores, 1949

(Items expressed as percentages of net sales)

| Item | Firms with 1949 sales of | | Total, all sizes |
|---|--------------------------|----------------------|------------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| | % | % | % |
| Gross profit..... | 29.93 | 31.25 | 31.01 |
| Total operating expenses..... | 27.94 | 25.27 | 25.74 |
| Net operating profit..... | 1.99 | 5.98 | 5.27 |
| Other income..... | 0.21 | 0.07 | 0.10 |
| Total net profit before income tax deduction..... | 2.20 | 6.05 | 5.37 |
| Income tax..... | 0.80 | 2.38 | 2.10 |
| Final net profit..... | 1.40 | 3.67 | 3.27 |

Comparison of 1947 and 1949 Results

The results of the 22 firms which reported in 1947 and of the 23 firms included in the 1949 survey are summarized below. While gross profits for the two years showed little change, increased operating

expenses caused a decline in the ratio of net operating profit. From 6.52% of net sales in 1947, net profit without other income and before deduction of income tax decreased to 4.93% in 1949.

Main Operating Results Items for 1947 and 1949 Compared

(Items expressed as percentages of net sales)

| Item | 1947 (22 firms) | 1949 (23 firms) |
|---|--------------------|--------------------|
| | % | % |
| Gross profit..... | 30.75 | 30.78 |
| Operating expenses: | | |
| Salaries..... | 14.45 | 14.71 |
| Occupancy..... | 4.19 | 4.68 |
| Advertising..... | 1.18 | 1.45 |
| All other..... | 4.41 | 5.01 |
| Total operating expenses..... | 24.23 | 25.85 |
| Net profit without other income and before deduction of income tax..... | 6.52 | 4.93 |

TABLE 4. Operating Results of Chain Shoe Stores, by Size of Firm, 1949

| Item | Firms with 1949 sales of | | Total, all sizes |
|---|--------------------------|-------------------------|------------------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| Number of firms..... | 13 | 10 | 23 |
| Number of stores operated..... | 125 | 372 | 497 |
| Average sales per firm..... \$ | 441,408 | 2,209,088 | 1,209,964 |
| Average cost of goods sold..... \$ | 306,646 | 1,527,816 | 837,590 |
| Average inventory per firm: | | | |
| Beginning of year..... \$ | 117,935 | 607,321 | 330,711 |
| Percent of net sales..... | 26.72 | 27.49 | 27.33 |
| End of year..... \$ | 136,406 | 662,222 | 365,022 |
| Percent of net sales..... | 30.90 | 29.98 | 30.17 |
| Stock turnover (times per year)..... | 2.41 | 2.41 | 2.41 |
| PROFIT AND LOSS DATA (Percent of net sales) | | | |
| Gross profit..... | 30.53 | 30.84 | 30.78 |
| Operating expenses: | | | |
| Salaries — executives..... | 3.12 | 2.85 | 2.91 |
| Other employees'..... | 12.73 | 11.56 | 11.80 |
| Employees' benefits..... | 0.13 | 0.10 | 0.10 |
| Occupancy..... | 4.53 | 4.72 | 4.68 |
| Taxes ¹ | 0.56 | 0.38 | 0.42 |
| Repairs ¹ | 0.56 | 0.14 | 0.22 |
| Depreciation ¹ | 0.70 | 0.46 | 0.51 |
| Supplies..... | 0.67 | 0.93 | 0.88 |
| Heat, light and power..... | 0.63 | 0.58 | 0.59 |
| Advertising..... | 1.42 | 1.46 | 1.45 |
| Travelling..... | 0.22 | 0.30 | 0.29 |
| Communication..... | 0.29 | 0.19 | 0.21 |
| Bad debt losses..... | 0.01 | 0.01 | 0.01 |
| All other expenses..... | 2.95 | 1.47 | 1.78 |
| Total operating expenses..... | 28.52 | 25.15 | 25.85 |
| Net operating profit..... | 2.01 | 5.69 | 4.93 |
| Other income..... | 0.16 | 0.09 | 0.11 |
| Total net profit before income tax deduction..... | 2.17 | 5.78 | 5.04 |

1. Excludes amount attributed to real estate which is in occupancy expense.

DOMINION BUREAU OF STATISTICS—DEPARTMENT OF TRADE AND COMMERCE
CANADA

OPERATING RESULTS OF CHAIN CLOTHING STORES
1951

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 4 volumes, as follows: **Volume I**—The Primary Industries, including mining, forestry and fisheries; **Volume II**—Manufacturing; **Volume III**—Construction; **Volume IV**—Merchandising and Services.

Volume IV consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢.
- B — Operating Results of Food Wholesalers, 25¢.
- C — Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers, 25¢.
- D — Operating Results of Miscellaneous Wholesalers, (Automotive parts and accessories, drugs, hardware, plumbing and heating equipment), 25¢.

Part II — Retail Statistics

- E — General Review, 25¢.
- F — Retail Trade, 25¢.
- G — Retail Chain Stores, 25¢.
- H — Operating Results of Chain Food Stores, 25¢.
- I — Operating Results of Chain Clothing Stores, 25¢.
- J — Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢.
- *K — Operating Results of Retail Food Stores, 25¢.
- *L — Operating Results of Retail Clothing Stores, 25¢.
- *M — Operating Results of Retail Hardware, Furniture, Appliance and Radio Stores, 25¢.
- *N — Operating Results of Filling Stations and Garages, 25¢.
- *O — Operating Results of Miscellaneous Retail Stores, 25¢.
- P — Retail Consumer Credit, 25¢.

Part III — Service and Special Fields

- Q — Laundries, Cleaners and Dryers, 25¢.
- R — Motion Picture Theatres, Exhibitors, and Distributors, 25¢.
- S — Hotels, 25¢.
- T — Sales Financing, 25¢.
- U — Farm Implement and Equipment Sales, 25¢.
- V — New Motor Vehicle Sales and Motor Vehicle Financing 25¢.
- W — Advertising Agencies (Memorandum) 25¢.

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1951.

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OPERATING RESULTS — LIST OF REPORTS

WHOLESALE TRADE (1947, 1949 and 1951)

1. Food Wholesalers.
2. Dry Goods, Piece Goods and Footwear Wholesalers.
3. Miscellaneous Wholesalers (automotive equipment, drugs, hardware, heating and plumbing supplies).

INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948 and 1950)

1. Food Stores.
2. Clothing Stores.
3. Hardware, Furniture, Household Appliance and Radio Stores.
4. Filling Stations and Garages.
5. Miscellaneous Stores (country general, restaurants, fuel, drugs, jewellery and tobacco stores).

RETAIL CHAIN STORES (1947, 1949 and 1951)

1. Food Stores.
2. Clothing Stores.
3. Miscellaneous Stores (variety, drugs and furniture).

OPERATING RESULTS OF CHAIN CLOTHING STORES

1951

INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

Scope — Chain store firms are those which operate four or more retail outlets. Chain firms of four trades are covered in this bulletin — men's clothing, women's clothing, family clothing and shoe stores.

Content — This bulletin deals with profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. There were not enough firms in any of these trades to permit publication of regional results. There were no Newfoundland stores in this survey. Salaries of proprietors of unincorporated companies have been included with executive salaries. Income tax tabulation was made for incorporated companies only.

In this report "occupancy expense" includes taxes, insurance, mortgage interest, repairs and de-

preciation on owned real estate used in the business, together with rental expense on rented premises. Similarly "delivery expense" includes salaries, insurance, licenses, repairs, maintenance, gas, oil and depreciation of owned equipment, together with expense of contract delivery.

Purpose — The primary purpose of the operating costs surveys is to provide averages on the different phases of business operation against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Period Covered — This report deals mainly with 1951 operations and is the third biennial publication in a series begun in 1947. Certain summary tables show comparative results for 1949 and 1951. The charts show the gross profit components for 1947, 1949 and 1951 by suitable sales-size classifications for each trade.

SUMMARY OF 1951 OPERATING RESULTS BY TRADES

The principal operating results figures for the chain clothing store business are summarized in the following table. In analyzing the results of an individual chain clothing company, reference should be made to the detailed tables in the appropriate section of this bulletin. In these sections (men's, women's and family clothing and shoe store chains) where practicable, operating figures for typical sales-size classifications, in addition to detailed operating ratios, are revealed. Because a chain store is a firm operating four or more retail outlets, the absolute dollar values (average net sales, cost of goods etc.) are shown for a singular purpose only. That is, these dollar values are shown for the purpose of assisting chain store managements to place their respective firms in relation to the average in the appropriate sales-size category. This relationship to the average facilitates a more accurate profit and loss statement ratio analysis.

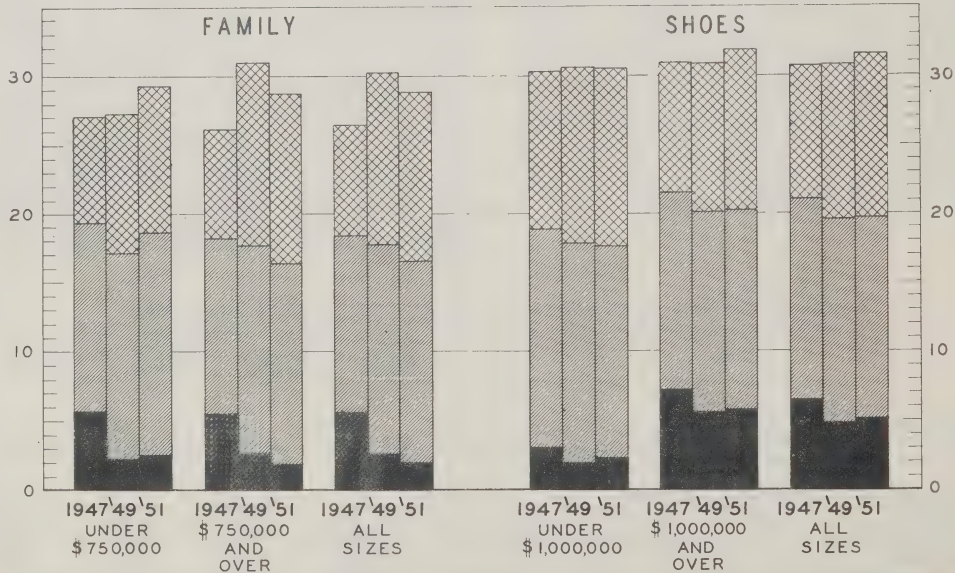
Average gross profits, expressed as percentages of the respective average net sales, were slightly above 28% for the men's, women's and family chain clothing trades and 31.58% for chain shoe stores. Total operating expense ratios for the four trades were of much the same order. Consequently, the net operating profit ratios for the first three trades showed a narrow range from 2.01% for family clothing to 2.53% and 2.76% for men's and women's clothing, respectively. Shoe stores' net operating profit ratio was 5.10%. Miscellaneous expense and income netted an increase in each instance with the result that shoe stores obtained a net profit ratio, before deduction of income tax, of 5.16%, women's clothing showed 3.07% and family and men's clothing ranked lowest with 2.94% and 2.79% respectively. The interrelationship of stock turnover rates showed women's clothing highest with 5.74, family clothing with 3.39 and men's clothing and shoe stores with 2.49 and 2.46, respectively. This is the same interrelationship as was ascertained from the 1949 survey results.

Comparison of Main Profit and Loss Items in Chain Clothing Stores 1951

| Item | Men's clothing | Women's clothing | Family clothing | Shoes |
|--|-------------------|---------------------|--------------------|-----------|
| Number of firms | 12 | 29 | 16 | 29 |
| Average net sales per firm | \$ 977,599 | 1,233,302 | 2,094,984 | 1,072,419 |
| Rate of stock turnover (times per year) | 2.49 | 5.74 | 3.39 | 2.46 |
| Profit and loss data (Percentage of net sales): | | | | |
| Gross profit | 28.75 | 28.32 | 28.78 | 31.58 |
| Operating expenses | 26.22 | 25.56 | 26.77 | 26.48 |
| Net operating profit | 2.53 | 2.76 | 2.01 | 5.10 |
| Other income | 0.28 | 0.41 | 1.28 | 0.19 |
| Miscellaneous expense | 0.02 | 0.10 | 0.35 | 0.13 |
| Net profit before income tax deduction | 2.79 | 3.07 | 2.94 | 5.16 |

1947—1949—1951

% OF NET SALES



MEN'S CLOTHING CHAINS

The 12 firms from which reports were received, together operated 77 retail outlets in 1951. There was a sufficient number of firms reporting to permit a sales-size breakdown of results. A large proportion

of the firms were incorporated which permitted the showing of income tax information for both sales-size categories.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items presented in this form, on a unit basis, a standard is established. To this standard, the operating results of men's clothing store chains, irrespective of the number of retail outlets, might be compared with a high degree of accuracy.

In 1951, men's clothing store chains obtained a gross profit ratio of 28.75 per cent of net sales.

Operating expense ratios totalled 26.22% and reduced the gross profit to a net operating profit of 2.53%. Gross profit ratios for the firms of both sales-size categories were of much the same order as the ratio for all firms combined. Firms of the smaller category, however, averaged a slightly larger total operating expense ratio and consequently netted a lower net operating profit ratio of 1.30%. The second, or larger, sales-size group averaged a net operating profit of 2.84%. In each instance, miscellaneous expense and income increased the profit ratios with the result that the net profit ratio, before income tax deduction, for all firms combined advanced to 2.79%.

TABLE 1. Operating Results of Chain Men's Clothing Stores, 1951, by Size of Firm

| Item | Firms with 1951 sales of | | Total All Sizes |
|--|--------------------------|--------------------|-----------------|
| | Under \$500,000 | \$500,000 and over | |
| Number of firms | 7 | 5 | 12 |
| Number of stores operated | 30 | 47 | 77 |
| Average net sales per firm | \$ 333,917 | 1,878,754 | 977,599 |
| Average cost of goods sold | \$ 239,879 | 1,335,884 | 696,548 |
| Average inventory per firm: | | | |
| Beginning of year | \$ 93,248 | 568,840 | 291,411 |
| Per cent of average net sales | 27.93 | 30.28 | 29.81 |
| End of year | \$ 100,252 | 499,933 | 266,786 |
| Per cent of average net sales | 30.02 | 26.61 | 27.29 |
| Stock turnover (times per year) | 2.48 | 2.50 | 2.49 |
| Profit and loss data (per cent of net sales): | | | |
| Gross profit | 28.16 | 28.90 | 28.75 |
| Operating expenses: | | | |
| Salaries: | | | |
| executives | 2.58 | 2.03 | 2.14 |
| other employees | 11.05 | 12.15 | 11.93 |
| Employees' benefits | 0.17 | 0.32 | 0.29 |
| Occupancy | 4.04 | 3.26 | 3.41 |
| Heat, light and power | 0.63 | 0.42 | 0.46 |
| Taxes, licenses | 0.35 | 0.27 | 0.29 |
| Insurance | 0.68 | 0.46 | 0.50 |
| Repairs and maintenance | 0.44 | 0.16 | 0.21 |
| Depreciation | 1.02 | 0.60 | 0.69 |
| Supplies | 0.50 | 1.04 | 0.94 |
| Advertising | 2.02 | 3.39 | 3.12 |
| Travelling | 0.38 | 0.19 | 0.23 |
| Communication | 0.36 | 0.19 | 0.22 |
| Delivery | 0.14 | 0.18 | 0.17 |
| Bad debt loss | 0.20 | 0.12 | 0.14 |
| All other expenses | 2.30 | 1.28 | 1.48 |
| Total operating expenses | 26.86 | 26.06 | 26.22 |
| Net operating profit | 1.30 | 2.84 | 2.53 |
| Other income: | | | |
| Discounts earned | 0.05 | 0.03 | 0.03 |
| Interest earned | 0.06 | 0.01 | 0.03 |
| Bad debts recovered | 0.01 | 0.04 | 0.03 |
| Other | 0.62 | 0.08 | 0.19 |
| Total other income | 0.74 | 0.16 | 0.28 |
| Miscellaneous expense | 0.11 | — | 0.02 |
| Net profit before income tax deduction | 1.93 | 3.00 | 2.79 |

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, decreased slightly from 29.81% at the beginning of the year, to 27.29% at the end of the year. This trend was common to the larger sales-size category, but the smaller category showed an increase. The rate of stock turnover — average of beginning and ending inventories divided into cost of goods sold — was 2.49, a decline from the rate ascertained from the 1949 survey results. The stock turnover rates of the two categories increased with the sales-size.

Incorporated Companies

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Total operating expense ratios were generally larger for "incorporated firms" with the result that their net profit ratios were slightly below corresponding ratios for "all firms". Net profit ratios, before income tax deduction, for the total all sizes category,

were 2.70% and 2.79% for "incorporated" and "all" firms' respectively. Income tax reduced the incorporated firms' ratio to 1.42%, a decrease of 47%.

TABLE 2. Operating Results of Incorporated Men's Clothing Stores, 1951
(Items expressed as percentages of net sales)

| Item | Firms with 1951 sales of | | Total all Sizes |
|--|--------------------------|--------------------|-----------------|
| | Under \$500,000 | \$500,000 and over | |
| Gross profit | 29.94 | 29.23 | 29.33 |
| Total operating expenses.... | 29.88 | 26.44 | 26.89 |
| Net operating profit | 0.06 | 2.79 | 2.44 |
| Other income | 1.24 | 0.16 | 0.29 |
| Miscellaneous expense | 0.19 | — | 0.03 |
| Net profit before income tax deduction | 1.11 | 2.95 | 2.70 |
| Income tax | 0.77 | 1.36 | 1.28 |
| Final net profit | 0.34 | 1.59 | 1.42 |

Comparison of 1949 and 1951 Operating Results

The principal operating ratios of the 1949 and 1951 surveys are summarized in the following table for the purpose of comparison. Only nine firms reported for the 1949 survey compared to 12 respondents in 1951. Despite the additional firms and subsequent additional retail outlets included in the 1951 tabulations, the average net sales per firm showed a slight decline. Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore

necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

Average net sales per retail outlet in 1951 were 7.2% below the average ascertained from the 1949 survey. Therefore, the slight decline in the proportion of gross profit to net sales for 1951, indicates that the average gross profit decreased at a slightly greater rate than did average net sales. This decrease in the gross profit ratio together with a slight increase in the total operating expense ratio accounted for the decline in net operating profit from 3.56% in 1949 to 2.53% in 1951.

TABLE 3. Main Operating Results Items for 1949 and 1951 Compared
(Items expressed as percentages of net sales)

| Item | 1949 (9 firms) | 1951 (12 firms) |
|----------------------------|-------------------|--------------------|
| | % | % |
| Gross profit | 29.13 | 28.75 |
| Operating expenses: | | |
| Salaries | 13.60 | 14.07 |
| Occupancy | 3.51 | 3.41 |
| Advertising | 2.99 | 3.12 |
| All other | 5.47 | 5.62 |
| Total operating expenses | 25.57 | 26.22 |
| Net operating profit | 3.56 | 2.53 |

WOMEN'S CLOTHING CHAINS

A total of 352 retail outlets were operated by the 29 women's clothing store firms reporting to this survey. Operating profit and expense ratios are presented for three typical sales-size categories as

well as total all sizes. In addition, main operating ratios, income tax information and final net profits are shown for the incorporated companies.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of women's clothing store chains, irrespective of the number of retail outlets operated, might be compared with a high degree of reliability.

In 1951 women's clothing store chains obtained an average gross profit of 28.32 per cent of average

net sales. Gross profit ratios for the three sales-size categories decreased as sales-size increased and ranged from 27.78% in the largest to 29.66% and 32.74% in the middle and smallest categories. Similarly, total operating expense, which averaged 25.56%, ranged from 24.33% in the largest to 28.98% and 34.32% in the middle and first categories, respectively. The net operating profit ratio for all firms combined was 2.76% but was not typical of the profit situation experienced within the sales-size categories. The first group showed an operating loss of 1.58%, whereas the middle and largest categories showed profits of 0.68% and 3.45% respec-

TABLE 4. Operating Results of Chain Women's Clothing Stores, 1951, by Size of Firm

| Item | Firms with 1951 sales of | | | Total All Sizes |
|--|--------------------------|------------------------|----------------------|-----------------|
| | Under \$300,000 | \$300,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms | 10 | 12 | 7 | 29 |
| Number of stores operated | 49 | 95 | 208 | 352 |
| Average net sales per firm | \$ 164,577 | 491,857 | 4,031,110 | 1,233,302 |
| Average cost of goods sold | \$ 110,699 | 345,957 | 2,911,112 | 884,008 |
| Average inventory per firm: | | | | |
| Beginning of year | \$ 34,693 | 104,023 | 405,638 | 152,920 |
| Per cent of average net sales | 21.08 | 21.15 | 10.06 | 12.40 |
| End of year | \$ 42,000 | 97,857 | 415,469 | 155,261 |
| Per cent of average net sales | 25.52 | 19.90 | 10.31 | 12.59 |
| Stock turnover (times per year) | 2.89 | 3.43 | 7.09 | 5.74 |
| Profit and loss data (per cent of net sales): | | | | |
| Gross profit | 32.74 | 29.66 | 27.78 | 28.32 |
| Operating expenses: | | | | |
| Salaries: | | | | |
| executives | 3.97 | 2.32 | 1.49 | 1.74 |
| other employees | 11.76 | 12.33 | 9.94 | 10.42 |
| Employees' benefits | 0.17 | 0.20 | 0.25 | 0.23 |
| Occupancy | 8.07 | 4.50 | 4.60 | 4.75 |
| Heat, light and power | 0.99 | 0.74 | 0.58 | 0.63 |
| Taxes, licenses | 0.79 | 0.52 | 0.28 | 0.35 |
| Insurance | 0.59 | 0.56 | 0.22 | 0.29 |
| Repairs and maintenance | 0.76 | 0.57 | 0.62 | 0.62 |
| Depreciation | 0.83 | 0.97 | 0.88 | 0.90 |
| Supplies | 0.76 | 0.99 | 1.37 | 1.28 |
| Advertising | 0.99 | 1.70 | 1.54 | 1.54 |
| Travelling | 0.41 | 0.50 | 0.37 | 0.39 |
| Communication | 0.52 | 0.31 | 0.38 | 0.37 |
| Delivery | 0.51 | 0.62 | 0.08 | 0.19 |
| Bad debt loss | 0.37 | 0.09 | 0.04 | 0.06 |
| All other expenses | 2.83 | 2.06 | 1.69 | 1.80 |
| Total operating expenses | 34.32 | 28.98 | 24.33 | 25.56 |
| Net operating profit | (L) 1.58 | 0.68 | 3.45 | 2.76 |
| Other income: | | | | |
| Discounts earned | 0.01 | 0.05 | 0.21 | 0.18 |
| Interest earned | 0.02 | 0.03 | 0.02 | 0.02 |
| Bad debts recovered | — | — | — | — |
| Other | 0.45 | 0.59 | 0.12 | 0.21 |
| Total other income | 0.48 | 0.67 | 0.35 | 0.41 |
| Miscellaneous expense | — | 0.02 | 0.12 | 0.10 |
| Net profit before income tax deduction | (L) 1.10 | 1.33 | 3.68 | 3.07 |

(L) Operating loss.

tively. Miscellaneous expense and income netted an increase to each group which resulted in a net profit ratio, before income tax deduction, of 3.07% for all firms combined.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, showed a very slight increase from 12.40% at the beginning of the year, to 12.59% at the end of the year. This trend was common to the smallest and largest sales-size groups, but the middle group showed a slight decline. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—was 5.74, a decrease from the 1949 rate of 6.09. The rates of the three categories increased with sales-size and ranged from 2.89 to 3.43 and 7.09.

Incorporated Companies

All firms classified in the largest sales-size category were incorporated. Only a small proportion of the firms in the first category were incorporated; therefore this group was omitted from the incorporated companies' table. Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios

were negligible. Net profit before income tax deduction, expressed as proportions of the respective net sales, was 3.21% and 3.07% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio of 3.21% to a final net profit of 1.54%, a decrease of 52%.

TABLE 5. Operating Results of Incorporated Women's Clothing Stores, 1951

(Items expressed as percentages of net sales)

| Item | Firms with 1951 sales of | | Total all Sizes |
|--|--------------------------|----------------------|-----------------|
| | \$300,000 to \$999,999 | \$1,000,000 and over | |
| Gross profit | 30.08 | 27.78 | 28.16 |
| Total operating expenses.. | 29.87 | 24.33 | 25.26 |
| Net operating profit | 0.21 | 3.45 | 2.90 |
| Other income | 0.90 | 0.35 | 0.42 |
| Miscellaneous expense | 0.03 | 0.12 | 0.11 |
| Net profit before income tax deduction | 1.08 | 3.68 | 3.21 |
| Income tax | 16 | 1.94 | 1.67 |
| Final net profit | 0.92 | 1.74 | 1.54 |

Comparison of 1949 and 1951 Operating Results

The principal operating ratios of the 1949 and 1951 surveys are summarized in the following table for the purpose of comparison. Only 23 firms reported in the 1949 survey, compared to 29 respondents in 1951. Despite the additional firms and subsequent additional retail outlets included in the 1951 tabulations, the average net sales per firm showed a slight decrease. Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be

identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

Average net sales per retail outlet in 1951 were 8.4% below the average ascertained from the 1949 survey. Therefore the slight decline in the 1951 gross profit ratios indicates that the average gross profit decreased at a slightly greater rate than did average net sales. This decrease, together with a small gain in the total operating expense ratio, accounted for the decline of the net operating profit ratio from 4.08% in 1949 to 2.76% in 1951.

TABLE 6. Main Operating Results Items for 1949 and 1951 Compared

(Items expressed as percentages of net sales)

| Item | 1949 (23 firms) | 1951 (29 firms) |
|----------------------------|--------------------|--------------------|
| | % | % |
| Gross profit | 29.40 | 28.32 |
| Operating expenses: | | |
| Salaries | 12.14 | 12.16 |
| Occupancy | 4.81 | 4.75 |
| Advertising | 1.43 | 1.54 |
| All other | 6.94 | 7.11 |
| Total operating expenses | 25.32 | 25.56 |
| Net operating profit | 4.08 | 2.76 |

FAMILY CLOTHING CHAINS

The 16 firms, from which reports were received, together operated a total of 106 retail outlets. An insufficient number of firms in the smaller sales-size category were incorporated to permit the presentation of income tax information for this

group. However, all firms in the larger category were incorporated and their income tax deduction and final net profit ratio are shown at the foot of the main operating results table.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of family clothing chains, irrespective of the number of retail outlets, might be compared with a high degree of reliability.

In 1951, family clothing chain stores obtained an average gross profit ratio of 28.78 per cent of average net sales. The ratios of the smaller and larger

sales-size categories were slightly above and slightly below the average, respectively. Operating expense ratios, totalling 26.77%, reduced the average gross profit to a net operating profit ratio of 2.01% for all firms combined. Firms in the larger sales-size group experienced a greater than average total operating expense ratio and netted an operating profit of 1.96%. Conversely, the smaller firms operated on below average expense ratios and netted a higher operating profit ratio of 2.63%. In all instances, miscellaneous expense and income increased the profit ratios to 3.15%, 2.93% and 2.94% for the smaller, larger and combined categories,

TABLE 7. Operating Results of Chain Family Clothing Stores, 1951, by Size of Firm

| Item | Firms with 1951 sales of | | Total All Sizes |
|--|--------------------------|-----------------------|-----------------------|
| | Under \$750,000 | \$750,000 and over | |
| Number of firms | 5 | 11 | 16 |
| Number of stores operated | 33 | 73 | 106 |
| Average net sales per firm | \$ 526,673 | 2,807,850 | 2,094,984 |
| Average cost of goods sold | \$ 372,617 | 2,000,784 | 1,491,983 |
| Average inventory per firm: | | | |
| Beginning of year | \$ 113,494 | 598,451 | 446,902 |
| Per cent of average net sales | 21.55 | 21.31 | 21.33 |
| End of year | \$ 123,012 | 575,083 | 433,811 |
| Per cent of average net sales | 23.36 | 20.48 | 20.71 |
| Stock turnover (times per year) | 3.14 | 3.41 | 3.39 |
| Profit and loss data (per cent of net sales): | | | |
| Gross profit | 29.25 | 28.74 | 28.78 |
| Operating expenses: | | | |
| Salaries: | | | |
| Executives | 4.09 | 1.51 | 1.71 |
| Other employees | 12.00 | 12.92 | 12.85 |
| Employees' benefits | 0.11 | 0.23 | 0.22 |
| Occupancy | 4.05 | 2.98 | 3.06 |
| Heat, light and power | 0.69 | 0.48 | 0.50 |
| Taxes, licenses | 0.37 | 0.33 | 0.33 |
| Insurance | 0.50 | 0.46 | 0.45 |
| Repairs and maintenance | 0.21 | 0.33 | 0.33 |
| Depreciation | 0.42 | 0.64 | 0.62 |
| Supplies | 0.58 | 0.67 | 0.67 |
| Advertising | 1.82 | 3.24 | 3.13 |
| Travelling | 0.75 | 0.44 | 0.46 |
| Communication | 0.42 | 0.26 | 0.27 |
| Delivery | 0.03 | 0.39 | 0.37 |
| Bad debt loss | 0.08 | 0.41 | 0.39 |
| All other expenses | 0.50 | 1.49 | 1.41 |
| Total operating expenses | 26.62 | 26.78 | 26.77 |
| Net operating profit | 2.63 | 1.96 | 2.01 |
| Other income: | | | |
| Discounts earned | 0.01 | 0.09 | 0.09 |
| Interest earned | 0.32 | 0.05 | 0.07 |
| Bad debts recovered | 0.01 | 0.32 | 0.30 |
| Other | 0.27 | 0.87 | 0.82 |
| Total other income | 0.61 | 1.33 | 1.28 |
| Miscellaneous expense | 0.09 | 0.36 | 0.35 |
| Net profit before income tax deduction | 3.15 | 2.93 | 2.94 |
| Income tax | — | 1.44 | — |
| Final net profit | — | 1.49 | — |

respectively. Income tax reduced the profit ratios of the larger firms to 1.49%, a decline of 49%.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, decreased from 21.33% at the beginning of the year, to 20.11%

at the end of the year. Although this trend was common to the firms of the larger sales-size category, the ratios of the first category showed an increase from 21.55% to 23.36%. The rate of stock turnover — average of beginning and ending inventories divided into cost of goods sold — was 3.39. The rate increased directly with sales-size from 3.14 to 3.41 for the two respective categories.

Comparison of 1949 and 1951 Operating Results

The principal operating ratios of the 1949 and 1951 surveys are summarized in the following table for the purpose of comparison. There were 15 firms which reported for the 1949 survey, compared to 16 respondents in 1951. This increase in the number of firms, together with an increase in the number of retail outlets included in the 1951 tabulations, accounted for the substantial increase in average sales. Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore

necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

Average net sales per retail outlet in 1951 were approximately a third greater than the average ascertained from the 1949 survey. Therefore the slight decrease in the 1951 gross profit ratio indicates that the average gross profit increased at a slightly smaller rate than did average net sales. A smaller decrease occurred in the total operating expense ratio, resulting in a net operating profit ratio of almost a third below that of 1949. Because the ratio decreased at approximately the same rate as net sales increased, it may be deduced that the average dollar value of operating profits for both years were of the same order.

TABLE 8. Main Operating Results Items for 1949 and 1951 Compared

(Items expressed as percentages of net sales)

| Item | 1949 (15 firms) | 1951 (16 firms) |
|----------------------------|--------------------|--------------------|
| | % | % |
| Gross profit | 30.23 | 28.78 |
| Operating expenses: | | |
| Salaries | 14.98 | 14.56 |
| Occupancy | 2.77 | 3.06 |
| Advertising | 2.86 | 3.13 |
| All other | 6.97 | 6.02 |
| Total operating expenses | 27.58 | 26.77 |
| Net operating profit | 2.65 | 2.01 |

SHOE STORE CHAINS

A total of 541 retail outlets were operated by the 29 shoe store chains reporting to this survey. Operating profit and expense ratios are presented for two typical sales-size categories as well as total

all sizes. In addition, main operating ratios, income tax deductions and final net profit ratios are shown for the incorporated companies.

REVIEW OF 1951 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of chain shoe stores, irrespective of the number of retail outlets, might be compared with a high degree of accuracy. In 1951 shoe store chains obtained an average gross profit of 31.58 per cent of average net sales. Gross profit ratios for the two categories were 30.49% and 31.87% increasing with sales-size. Conversely, total operating

expenses which averaged 26.48%, were 28.12% in the smaller category and 26.06% in the larger category. Consequently the firms in the larger sales-size group, having the larger gross profit and smaller operating expense ratios, netted a substantially greater operating profit ratio of 5.81%. Miscellaneous expense and income netted an increase to the operating profit ratios of the smaller and total all firms categories resulting in respective net profit ratios, before income tax deduction, of 2.72% and 5.16%. The larger sales-size group showed a net profit ratio, before deduction of income tax, of 5.80%.

TABLE 9. Operating Results of Chain Shoe Stores, 1951, by Size of Firm

| Item | Firms with 1951 sales of | | Total All Sizes |
|--|--------------------------|-------------------------|-----------------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| Number of firms | 19 | 10 | 29 |
| Number of stores operated | 154 | 337 | 541 |
| Average net sales per firm | \$ 340,311 | 2,463,430 | 1,072,419 |
| Average cost of goods sold | \$ 236,545 | 1,678,384 | 733,730 |
| Average inventory per firm: | | | |
| Beginning of year | \$ 101,605 | 640,995 | 287,601 |
| Per cent of average net sales | 29.86 | 26.02 | 26.82 |
| End of year | \$ 107,739 | 694,295 | 309,999 |
| Per cent of average net sales | 31.66 | 28.18 | 28.91 |
| Stock turnover (times per year) | 2.26 | 2.51 | 2.46 |
| Profit and loss data (per cent of net sales): | | | |
| Gross profit | 30.49 | 31.87 | 31.58 |
| Operating expenses: | | | |
| Salaries: | | | |
| executives | 3.02 | 1.41 | 1.75 |
| other employees | 12.27 | 13.01 | 12.86 |
| Employees' benefits | 0.15 | 0.14 | 0.13 |
| Occupancy | 4.53 | 4.58 | 4.57 |
| Heat, light and power | 0.75 | 0.75 | 0.75 |
| Taxes, licenses | 0.53 | 0.48 | 0.49 |
| Insurance | 0.48 | 0.37 | 0.39 |
| Repairs and maintenance | 0.37 | 0.20 | 0.23 |
| Depreciation | 0.74 | 0.64 | 0.66 |
| Supplies | 0.58 | 0.74 | 0.70 |
| Advertising | 1.40 | 1.59 | 1.55 |
| Travelling | 0.33 | 0.32 | 0.32 |
| Communication | 0.33 | 0.21 | 0.23 |
| Delivery | 0.31 | 0.22 | 0.24 |
| Bad debt loss | — | 0.01 | 0.01 |
| All other expenses | 2.33 | 1.39 | 1.60 |
| Total operating expenses | 28.12 | 26.06 | 26.48 |
| Net operating profit | 2.37 | 5.81 | 5.10 |
| Other income | 0.35 | 0.14 | 0.19 |
| Miscellaneous expense | — | 0.15 | 0.13 |
| Net profit before income tax deduction | 2.72 | 5.80 | 5.16 |

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased slightly from 26.82% at the beginning of the year, to 28.91% at the end of the year. This trend was common to both sales-size categories. The rate of stock turnover — average of beginning and ending inventories divided into cost of goods sold — was 2.46, a very slight increase over the 1949 rate of 2.41. The rates for the two categories increased with sales-size.

Incorporated Companies, 1951

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated the incorporated firms obtained slightly higher profits. Net profit before income tax deduction, expressed as proportions of the respective net sales, were 5.52% and 5.16% for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio of 5.52% to 2.89%, a decrease of 48%.

Comparison of 1949 and 1951 Operating Results

The principal operating ratios of the 1949 and 1951 surveys are summarized in the following table for comparative purposes. Only 23 firms reported in the 1949 survey compared to 29 respondents in 1951. The number of retail outlets operated by these firms was 497 and 541 respectively. That is, the additional firms in 1951 represent an increase of 26%, whereas the corresponding additional outlets operated, only represent a gain of nine per cent. The disparity resulting from these additional smaller firms was sufficient to cause a decrease in average net sales per firm, and an increase in average sales per retail outlet. Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1949 to \$1,100,000 in 1951, and rent showed a proportionate increase from

TABLE 10. Operating Results of Incorporated Shoe Stores, 1951

(Items expressed as percentages of net sales)

| Item | Firms with 1951 sales of | | Total all Sizes |
|---|--------------------------|----------------------|-----------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| Gross profit | 29.72 | 32.40 | 31.97 |
| Total operating expenses .. | 27.17 | 26.32 | 26.46 |
| Net operating profit | 2.55 | 6.08 | 5.51 |
| Other income | 0.37 | 0.12 | 0.16 |
| Miscellaneous expense..... | — | 0.18 | 0.15 |
| Net profit before income tax deduction..... | 2.92 | 6.02 | 5.52 |
| Income tax | 1.08 | 2.93 | 2.63 |
| Final net profit | 1.84 | 3.09 | 2.89 |

\$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

Average net sales per retail outlet in 1951 were 2.7% greater than the average ascertained from the 1949 survey. Therefore the slight increase in the 1951 gross profit ratio indicates that the average gross profit increased at a greater rate than did average net sales. A smaller increase occurred in the total operating expense ratio, resulting in a slight gain in the net operating profit ratio from 4.93% in 1949 to 5.10% in 1951.

TABLE 11. Main Operating Results Items for 1949 and 1951 Compared

(Items expressed as percentages of net sales)

| Item | 1949 (23 firms) | 1951 (29 firms) |
|----------------------------|--------------------|--------------------|
| | % | % |
| Gross profit | 30.78 | 31.58 |
| Operating expenses: | | |
| Salaries | 14.71 | 14.61 |
| Occupancy | 4.68 | 4.57 |
| Advertising | 1.45 | 1.55 |
| All other | 5.01 | 5.75 |
| Total operating expenses | 25.85 | 26.48 |
| Net operating profit | 4.93 | 5.10 |

63-401



CANADA

OPERATING RESULTS OF CHAIN CLOTHING STORES 1953



Published by Authority of

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

- A — Wholesale Trade (not issued 1953)
- B — Operating Results of Food Wholesalers, 25¢
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
 - 2 Operating Results of Drug Wholesalers, 25¢
 - 3 Operating Results of Hardware Wholesalers, 25¢
 - 4 Operating Results of Plumbing and Heating Supplies Wholesalers, 25¢
 - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II — Retail Statistics

- E — General Review — (Discontinued)
- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- H — Operating Results of Chain Food Stores, 25¢
- I — Operating Results of Chain Clothing Stores, 25¢
- J — 1 Operating Results of Chain Variety Stores, 25¢
 - 2 Operating Results of Chain Drug Stores, 25¢
 - 3 Operating Results of Chain Furniture Stores, 25¢
- * K — Operating Results of Independent Food Stores, 25¢
- * L — Operating Results of Independent Clothing Stores, 25¢
- * M — Operating Results of Independent Hardware, Furniture, Appliance and Radio Stores, 25¢
- * N — Operating Results of Filling Stations & Garages, 25¢
- * O — 1 Operating Results of Independent General Stores, 25¢
 - 2 Operating Results of Independent Restaurants, 25¢
 - 3 Operating Results of Independent Fuel Dealers, 25¢
 - 4 Operating Results of Independent Drug Stores, 25¢
 - 5 Operating Results of Independent Jewellery Stores, 25¢
 - 6 Operating Results of Independent Tobacco Stores, 25¢
- P — Retail Consumer Credit

Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S — Hotels, 25¢
- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
- V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W — Advertising Agencies (Memorandum), 10¢
- X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1953.

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OPERATING RESULTS—LIST OF REPORTS

WHOLESALE TRADE (1947, 1949, 1951 and 1953)

1. Food Wholesalers
2. Dry Goods, Piece Goods, Footwear Wholesalers
3. Automotive Parts and Accessories Wholesalers
4. Drug Wholesalers
5. Hardware Wholesalers
6. Plumbing and Heating Supplies Wholesalers
7. Household Appliance and Electrical Supply Wholesalers

INDEPENDENT RETAIL STORES (1944, 1945, 1946, 1948, 1950 and 1952)

1. Food Stores
2. Clothing Stores
3. Hardware, Furniture, Household Appliance and Radio Stores
4. Filling Stations and Garages
5. General Stores
6. Restaurants
7. Fuel Dealers
8. Drug Stores
9. Jewellery Stores
10. Tobacco Stores

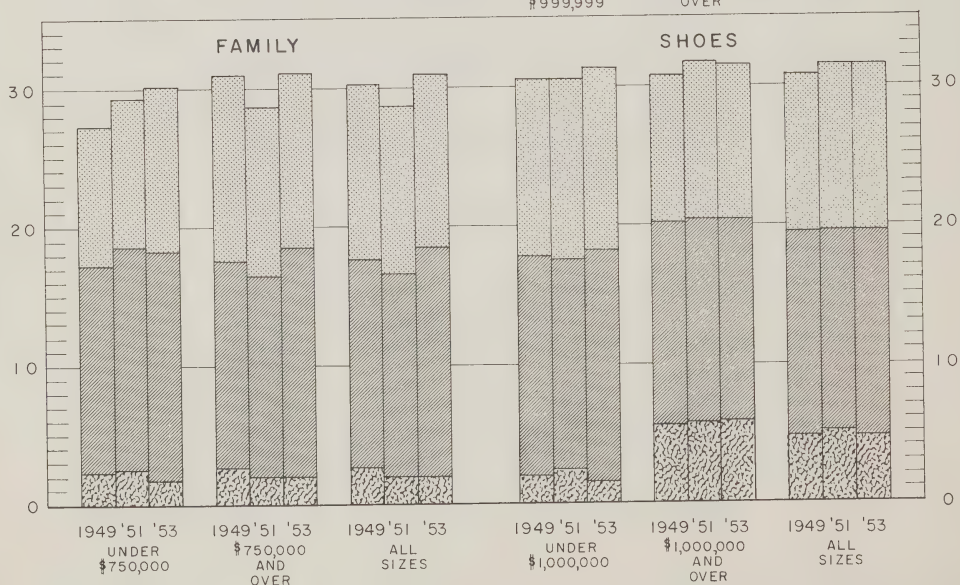
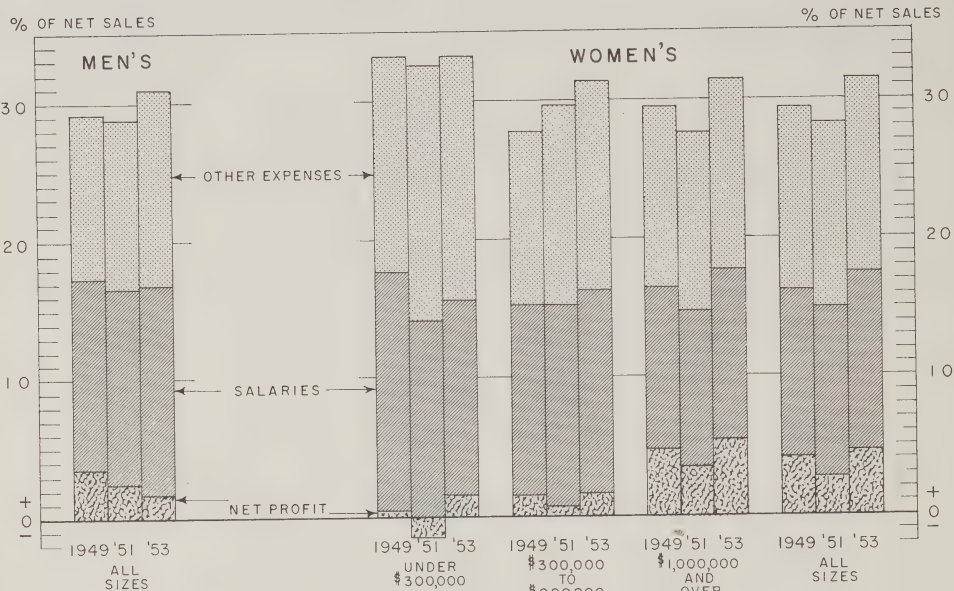
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1. Chain Food Stores
2. Chain Clothing Stores
3. Chain Variety Stores
4. Chain Furniture Stores
5. Chain Drug Stores

OPERATING RESULTS OF CHAIN CLOTHING STORES

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

1949 - 1951 - 1953



OPERATING RESULTS OF CHAIN CLOTHING STORES

1953

INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

Scope — Chain store firms are those which operate four or more retail outlets. Chain firms of four trades are covered in this bulletin — men's clothing, women's clothing, family clothing and shoe stores.

Content — This bulletin deals with profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. There were not enough firms in any of these trades to permit publication of regional results. There were no Newfoundland stores in this survey. Salaries of proprietors of unincorporated companies have been included with executive salaries. Income tax tabulation was made for incorporated companies only.

In this report "occupancy expense" includes taxes, insurance, mortgage interest, repairs and de-

preciation on owned real estate used in the business, together with rental expense on rented premises. Similarly "delivery expense" includes salaries, insurance, licenses, repairs, maintenance, gas, oil and depreciation of owned equipment, together with expense of contract delivery.

Purpose — The primary purpose of the operating costs surveys is to provide averages on the different phases of business operation against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Period Covered — This report deals mainly with 1953 operations and is the fourth biennial publication in a series begun in 1947. Certain summary tables show comparative results for 1951 and 1953. The chart shows the gross profit components for 1949, 1951 and 1953 by suitable sales-size classifications for each trade.

SUMMARY OF 1953 OPERATING RESULTS BY TRADES

The principal operating results figures for the chain clothing store business are summarized in the following table. In analyzing the results of an individual chain clothing company, reference should be made to the detailed tables in the appropriate section of this bulletin. In these sections (men's, women's and family clothing and shoe store chains) where practicable, operating figures for typical sales-size classifications, in addition to detailed operating ratios, are revealed. Because a chain store is a firm operating four or more retail outlets, the absolute dollar values (average net sales, cost of goods etc.) are shown for a singular purpose only. That is, these dollar values are shown for the purpose of assisting chain store managements to place their respective firms in relation to the average in the appropriate sales-size category. This relationship to the average facilitates a more accurate profit and loss statement ratio analysis.

Average gross profits, expressed as percentages of average net sales for the four specific kinds of chain clothing store business, were within the narrow range of 30.91 per cent to 31.60 per cent for men's clothing store and shoe store chain firms respectively. Total operating expenses showed a much wider range from 29.10 per cent for men's clothing store, to 26.72 per cent for shoe store chain firms. Consequently, men's clothing store chain firms, which averaged the lowest gross profit ratio and the highest operating expense ratio, reported the lowest net operating profit ratio of 1.81 per cent. Conversely, shoe store chain firms, which averaged the highest gross profit ratio and the lowest total operating expense ratio, netted the highest operating profit ratio of 4.88 per cent. In each instance non-trading income and expense operations netted an increase which resulted in ratios of net profit before taxation of 2.44 per cent for men's clothing, 5.25 per cent for women's clothing, 2.91 per cent for family clothing and 4.94 per cent for shoe store chain firms.

Comparison of Main Profit and Loss Items in Clothing Store Chains, 1953

| Item | Men's clothing | Women's clothing | Family clothing | Shoes |
|--|-------------------|---------------------|--------------------|-----------|
| Number of firms | 15 | 28 | 15 | 30 |
| Average net sales per firm | \$ 1,040,348 | 1,556,947 | 1,201,798 | 1,159,354 |
| Rate of stock turnover (times per year) | 2.61 | 5.48 | 2.99 | 2.51 |
| Profit and Loss data (Per cent of net sales): | | | | |
| Gross profit | 30.91 | 31.48 | 31.04 | 31.60 |
| Operating expenses | 29.10 | 26.80 | 29.04 | 26.72 |
| Net operating profit | 1.81 | 4.68 | 2.00 | 4.88 |
| Non-trading income | 0.69 | 0.59 | 1.16 | 0.16 |
| Non-trading expense | 0.06 | 0.02 | 0.25 | 0.10 |
| Net profit before income tax deduction | 2.44 | 5.25 | 2.91 | 4.94 |

MEN'S CLOTHING STORE CHAINS

The 15 firms from which reports were received, together operated 121 retail outlets in 1953. There was a sufficient number of firms reporting to permit a sales-size breakdown of results. A large pro-

portion of the firms were incorporated which permitted the showing of income tax information for both sales-size categories.

REVIEW OF 1953 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items presented in this form, on a unit basis, a standard is established. To this standard, the operating results of men's clothing store chains, irrespective of the number of retail outlets, might be compared with a high degree of accuracy.

In 1953, men's clothing store chains obtained a gross profit ratio of 30.91 per cent of net sales.

Operating expense ratios totalled 29.10 per cent and reduced the gross profit to a net operating profit of 1.81 per cent. Gross profit ratios for the firms of both sales-size categories were of much the same order as the ratio for all firms combined. Firms of the smaller category, however, averaged a slightly larger total operating expense ratio and consequently netted an operating loss of 0.74 per cent. The second, or larger, sales-size group averaged a net operating profit of 2.13 per cent. In each instance, non-trading expense and income increased the profit ratios with the result that the net profit ratio, before income tax deduction, for all firms combined advanced to 2.44 per cent.

TABLE 1. Operating Results of Men's Clothing Store Chains, 1953, by Size of Firm

| Item | Firms with 1953 sales of | | Total all sizes |
|--|--------------------------|--------------------|-----------------|
| | Under \$500,000 | \$500,000 and over | |
| Number of firms | 5 | 10 | 15 |
| Number of stores operated | 25 | 96 | 121 |
| Average net sales per firm | \$ 343,521 | 1,388,761 | 1,040,348 |
| Average cost of goods sold | \$ 234,727 | 960,668 | 718,688 |
| Average inventory per firm: | | | |
| Beginning of year | \$ 93,512 | 339,476 | 257,488 |
| Per cent of average net sales | 27.22 | 24.44 | 24.75 |
| End of year | \$ 91,315 | 395,717 | 294,250 |
| Per cent of average net sales | 26.58 | 28.49 | 28.28 |
| Stock turnover (times per year) | 2.54 | 2.61 | 2.61 |
| Profit and loss data (per cent of net sales) | | | |
| Gross profit | 31.67 | 30.82 | 30.91 |
| Operating expenses: | | | |
| Salaries: | | | |
| Executives | 4.32 | 1.65 | 1.94 |
| Other employees | 11.81 | 13.36 | 13.19 |
| Employees' benefits | 0.19 | 0.25 | 0.24 |
| Occupancy | 4.85 | 4.22 | 4.29 |
| Heat, light and power | 0.80 | 0.58 | 0.60 |
| Taxes, licenses | 0.37 | 0.28 | 0.29 |
| Insurance ¹ | 0.72 | 0.52 | 0.54 |
| Repairs and maintenance ¹ | 0.45 | 0.32 | 0.33 |
| Depreciation ¹ | 1.65 | 0.59 | 0.71 |
| Supplies | 0.67 | 0.95 | 0.92 |
| Advertising | 2.48 | 3.27 | 3.18 |
| Travelling | 0.76 | 0.27 | 0.32 |
| Communication | 0.37 | 0.35 | 0.35 |
| Delivery | 0.10 | 0.22 | 0.21 |
| Bad debt loss | 0.19 | 0.26 | 0.26 |
| All other expenses | 2.68 | 1.60 | 1.73 |
| Total operating expenses | 32.41 | 28.69 | 29.10 |
| Net operating profit | 0.74 ² | 2.13 | 1.81 |
| Non-trading income | 1.13 | 0.64 | 0.69 |
| Non-trading expense | — | 0.07 | 0.06 |
| Net profit before income tax deduction | 0.39 | 2.70 | 2.44 |

1. Excludes amount attributed to real estate which is in occupancy expense.

2. Operating loss.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 24.75 per cent at the beginning of the year to 28.28 per cent at the end of the year. This trend was common to firms in the larger sales-size category, but the average inventories of the smaller firms showed a slight decline. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—was 2.61 times per year, a slightly higher rate than was ascertained from the 1951 survey results. Comparison of results within the two typical sales-size ranges indicated that the rate was higher for the larger firms.

Incorporated Companies

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Total operating expense ratios were generally larger for "incorporated firms" with the result that their net profit ratios were slightly below corresponding ratios for "all firms". Net profit ratios, before income tax deduction, for the total all sizes category, were 2.45 per cent and 2.44 per cent for

"incorporated" and "all firms" respectively. Income tax reduced the incorporated firms' ratio to 1.20 per cent, a decrease of 51 per cent.

TABLE 2. Operating Results of Incorporated Men's Clothing Store Chains, 1953
(Items expressed as percentages of net sales)

| Item | Firms with 1953 sales of | | Total all sizes |
|--|--------------------------|--------------------|-----------------|
| | Under \$500,000 | \$500,000 and over | |
| | % | % | % |
| Gross profit | 32.10 | 30.82 | 30.95 |
| Total operating expenses... | 33.08 | 28.69 | 29.14 |
| Net operating profit..... | 0.98 ¹ | 2.13 | 1.81 |
| Non-trading income | 1.25 | 0.64 | 0.70 |
| Non-trading expense | — | 0.07 | 0.06 |
| Net profit before income tax deduction | 0.27 | 2.70 | 2.45 |
| Income tax | 0.79 | 1.31 | 1.25 |
| Final net profit | 0.52 ¹ | 1.39 | 1.20 |

1. Loss.

Comparison of 1951 and 1953 Operating Results

The principal operating ratios of the 1951 and 1953 surveys are summarized in the following table for the purpose of comparison. Only 12 firms reported for the 1951 survey compared to 15 respondents in 1953. The additional firms and subsequent additional retail outlets included in the 1953 tabulations, resulted in a marked increase in the average net sales per firm. Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1951 to \$1,100,000 in 1953, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore

necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The average net sales per firm in 1953 was 6.41 per cent greater than the average derived from the 1951 survey results. Therefore, the increase in the proportion of gross profit to sales in 1953 indicates that the average absolute gross profit also increased but to a greater extent than did average net sales. This increase in the gross profit ratio was insufficient to offset the increase in the ratio of operating expenses from 1951 to 1953. Consequently, the net operating profit ratio declined from 2.53 per cent in 1951 to 1.81 per cent in 1953.

TABLE 3. Main Operating Results Items for 1951 and 1953 Compared
(Items expressed as percentages of net sales)

| Item | 1951 (12 firms) | 1953 (15 firms) |
|--------------------------------|--------------------|--------------------|
| | % | % |
| Gross profit | 28.75 | 30.91 |
| Operating expenses: | | |
| Salaries | 14.07 | 15.13 |
| Occupancy | 3.41 | 4.29 |
| Advertising | 3.12 | 3.18 |
| All other | 5.62 | 6.50 |
| Total operating expenses | 26.22 | 29.10 |
| Net operating profit | 2.53 | 1.81 |

WOMEN'S CLOTHING STORE CHAINS

A total of 434 retail outlets were operated by the 28 women's clothing store firms reporting to this survey. Operating profit and expense ratios are presented for three typical sales-size categories

as well as total all sizes. In addition, main operating ratios, income tax information and final net profits, are shown for the incorporated companies.

REVIEW OF 1953 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of women's clothing store chains, irrespective of the number of retail outlets operated, might be compared with a high degree of reliability.

In 1953 women's clothing store chains obtained an average gross profit of 31.48 per cent of average net sales. Within the three typical sales-size ranges, the smaller firms reported the highest ratio of 33.17 per cent, the middle-sized firms the lowest of 31.21 per cent, and the larger firms 31.46 per cent. Total

operating expenses amounted to 26.80 per cent of net sales for all reporting firms and ranged from 31.58 per cent to 26.10 per cent, decreasing with sales-size. Because the operating expense ratios showed a much larger range than the gross profit ratios, the larger firms, which reported the lowest operating expense ratio, obtained the highest net operating profit ratio of 5.36 per cent. The smaller and middle-sized firms reported net operating profit ratios of 1.59 per cent and 1.55 per cent respectively. Non-trading income and expense netted an increase in each sales-size grouping which resulted in ratios of net profit before taxation of 1.96 per cent, 1.92 per cent, and 5.98 per cent, for the firms in the smallest, middle, and largest size groups respectively.

TABLE 4. Operating Results of Women's Clothing Store Chains, 1953, by Size of Firm

| Item | Firms with 1953 sales of | | | Total all sizes |
|---|--------------------------|------------------------|----------------------|-----------------|
| | Under \$300,000 | \$300,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms | 7 | 12 | 9 | 28 |
| Number of stores operated | 42 | 102 | 290 | 434 |
| Average net sales per firm..... \$ | 193,065 | 543,508 | 3,968,996 | 1,556,947 |
| Average cost of goods sold | 129,011 | 373,860 | 2,720,254 | 1,066,846 |
| Average inventory per firm: | | | | |
| Beginning of year..... \$ | 47,032 | 107,221 | 394,012 | 184,356 |
| Per cent of average net sales | 24.36 | 19.73 | 9.93 | 11.84 |
| End of year..... \$ | 41,897 | 107,050 | 463,176 | 205,231 |
| Per cent of average net sales | 21.70 | 19.70 | 11.67 | 13.18 |
| Stock turnover (times per year) | 2.90 | 3.49 | 6.35 | 5.48 |
| Profit and loss data (per cent of net sales) | | | | |
| Gross profit | 33.17 | 31.21 | 31.46 | 31.48 |
| Operating expenses: | | | | |
| Salaries: | | | | |
| Executives | 5.12 | 2.64 | 1.39 | 1.69 |
| Other employees | 8.98 | 12.03 | 11.13 | 11.21 |
| Employees' benefits | 0.15 | 0.18 | 0.24 | 0.23 |
| Occupancy..... | 7.01 | 5.68 | 4.76 | 4.97 |
| Heat, light and power | 0.90 | 0.74 | 0.60 | 0.63 |
| Taxes, licenses ¹ | 0.93 | 0.35 | 0.57 | 0.54 |
| Insurance ¹ | 0.60 | 0.47 | 0.29 | 0.33 |
| Repairs and maintenance ¹ | 0.67 | 0.52 | 0.71 | 0.67 |
| Depreciation ¹ | 0.64 | 1.02 | 1.02 | 1.01 |
| Supplies | 0.69 | 1.00 | 1.21 | 1.16 |
| Advertising | 2.04 | 1.46 | 1.50 | 1.51 |
| Travelling | 0.54 | 0.50 | 0.38 | 0.40 |
| Communication | 0.51 | 0.32 | 0.35 | 0.35 |
| Delivery | 0.75 | 0.18 | 0.03 | 0.08 |
| Bad debt loss | — | 0.14 | 0.18 | 0.17 |
| All other expenses | 2.05 | 2.43 | 1.74 | 1.85 |
| Total operating expenses | 31.58 | 29.66 | 26.10 | 26.80 |
| Net operating profit | 1.59 | 1.55 | 5.36 | 4.68 |
| Non-trading income | 0.72 | 0.38 | 0.63 | 0.59 |
| Non-trading expense | 0.35 | 0.01 | 0.01 | 0.02 |
| Net profit before income tax deduction | 1.96 | 1.92 | 5.98 | 5.25 |

1. Excludes amount attributed to real estate which is in occupancy expense.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 11.84 per cent at the beginning of the year to 13.18 per cent at the end of the year. This trend was common only to firms in the largest sales-size category. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—was 5.48 times per year, a slight decline from the rate ascertained from the 1951 survey results.

Incorporated Companies

All firms classified in the largest sales-size category were incorporated. Only a small proportion of the firms in the smallest category were incorporated; therefore the results of this group were omitted from the incorporated companies' table. Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Net profits before income tax deduction, expressed as proportions of the respective net sales, were 5.37 per cent and 5.25 per cent for "incorporated

firms" and "all firms" respectively. Income tax reduced the incorporated firms' profit ratio to 2.76 per cent, a decrease of 48.6 per cent.

TABLE 5. Operating Results of Incorporated Women's Clothing Store Chains, 1953

(Items expressed as percentages of net sales)

| Item | Firms with 1953 sales of | | Total all sizes |
|--|--------------------------|----------------------|-----------------|
| | \$300,000 to \$999,999 | \$1,000,000 and over | |
| Gross profit | 31.25 | 31.46 | 31.43 |
| Total operating expenses... | 30.01 | 26.10 | 26.64 |
| Net operating profit..... | 1.24 | 5.36 | 4.79 |
| Non-trading income..... | 0.36 | 0.63 | 0.59 |
| Non-trading expense..... | 0.02 | 0.01 | 0.01 |
| Net profit before income tax deduction | 1.58 | 5.98 | 5.37 |
| Income tax | 0.22 | 2.95 | 2.61 |
| Final net profit | 1.36 | 3.03 | 2.76 |

Comparison of 1951 and 1953 Operating Results

The principal operating ratios of the 1951 and 1953 surveys are summarized in the following table for the purpose of comparison. Although only 28 firms reported in 1953, compared to 29 in 1951, the number of retail outlets operated by these 28 firms (434) exceeded the number operated by the 29 responding firms (352) in 1951. This difference is primarily due to the differences in the number of reporting firms within the smallest and largest sales-sizes. The number of smaller firms declined from 10 to 7 but the number of retail outlets operated decreased only from 49 in 1951 to 42 in 1953. The larger firms increased from 7 to 9 with a corresponding increase in the number of retail outlets operated from 208 to 290. Consequently, with fewer smaller firms reporting in 1953, the average sales per firm showed a substantial increase.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1951 to \$1,100,000 in 1953, and rent showed a proportionate increase from

\$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

Average net sales for firms in 1953 were 26.24 per cent greater than the average derived from the 1951 survey results. Consequently, the increase in the gross profit ratio indicates that the average gross profit increased to a greater extent than did average net sales. The total operating expense ratio increased only slightly in 1953. Therefore, the net operating profit ratio showed a substantial increase from 2.76 per cent in 1951 to 4.68 per cent in 1953.

TABLE 6. Main Operating Results Items for 1951 and 1953 Compared

(Items expressed as percentages of net sales)

| Item | 1951 (29 firms) | 1953 (28 firms) |
|--------------------------------|--------------------|--------------------|
| | % | % |
| Gross profit | 28.32 | 31.48 |
| Operating expenses: | | |
| Salaries | 12.16 | 12.90 |
| Occupancy | 4.75 | 4.97 |
| Advertising | 1.54 | 1.51 |
| All other..... | 7.11 | 7.42 |
| Total operating expenses | 25.56 | 26.80 |
| Net operating profit | 2.76 | 4.68 |

FAMILY CLOTHING STORE CHAINS

The 15 firms, from which reports were received, together operated a total of 98 retail outlets. An insufficient number of firms in the smaller sales-size category were incorporated to permit the presentation of income tax information for this

group. However, most firms in the larger category were incorporated and their income tax deduction and final net profit ratio are shown in the table of operating results of incorporated firms.

REVIEW OF 1953 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of family clothing chains, irrespective of the number of retail outlets, might be compared with a high degree of reliability.

In 1953, family clothing store chains obtained an average gross profit ratio of 31.04 per cent of average net sales. The ratios of the firms in the

smaller and larger sales-size categories closely approximated this average of all firms. Operating expense ratios, totalling 29.04 per cent, reduced the gross profit to a net operating profit of 2.00 per cent for all firms combined. Again, there were only slight differences between the ratios for firms in the sales-size classifications and the all firms category. In each instance non-trading income and expense netted an increase which resulted in the smaller firms obtaining a ratio of net profit before taxation of 3.17 per cent, the larger firms 2.89 per cent, and all firms 2.91 per cent of their respective net sales.

TABLE 7. Operating Results of Family Clothing Store Chains, 1953, by Size of Firm

| Item | Firms with 1953 sales of | | Total all sizes |
|--|--------------------------|--------------------|-----------------|
| | Under \$750,000 | \$750,000 and over | |
| Number of firms | 4 | 11 | 15 |
| Number of stores operated | 21 | 77 | 98 |
| Average net sales per firm | \$ 410,396 | 1,489,581 | 1,201,798 |
| Average cost of goods sold | \$ 286,925 | 1,025,743 | 828,725 |
| Average inventory per firm: | | | |
| Beginning of year | \$ 143,798 | 321,438 | 274,067 |
| Per cent of average net sales | 35.04 | 21.58 | 22.80 |
| End of year | \$ 134,879 | 331,904 | 279,364 |
| Per cent of average net sales | 32.87 | 22.28 | 23.25 |
| Stock turnover (times per year) | 2.06 | 3.14 | 2.99 |
| Profit and loss data (per cent of net sales) | | | |
| Gross profit | 30.08 | 31.14 | 31.04 |
| Operating expenses: | | | |
| Salaries: | | | |
| Executives | 3.05 | 2.12 | 2.20 |
| Other employees | 13.30 | 14.38 | 14.28 |
| Employees' benefits | 0.19 | 0.34 | 0.32 |
| Occupancy | 5.06 | 3.33 | 3.49 |
| Heat, light and power | 0.52 | 0.64 | 0.63 |
| Taxes, licenses ¹ | 0.24 | 0.37 | 0.36 |
| Insurance ¹ | 0.88 | 0.41 | 0.45 |
| Repairs and maintenance ¹ | 0.15 | 0.31 | 0.29 |
| Depreciation ¹ | 0.38 | 1.02 | 0.96 |
| Supplies | 0.63 | 0.90 | 0.87 |
| Advertising | 1.32 | 1.86 | 1.81 |
| Travelling | 0.75 | 0.52 | 0.54 |
| Communication | 0.32 | 0.23 | 0.24 |
| Delivery | 0.05 | 0.22 | 0.21 |
| Bad debt loss | 0.14 | 0.53 | 0.50 |
| All other expenses | 1.31 | 1.94 | 1.89 |
| Total operating expenses | 28.29 | 29.12 | 29.04 |
| Net operating profit | 1.79 | 2.02 | 2.00 |
| Non-trading income | 1.56 | 1.12 | 1.16 |
| Non-trading expense | 0.18 | 0.25 | 0.25 |
| Net profit before income tax deductions | 3.17 | 2.89 | 2.91 |

1. Excludes amount attributed to real estate which is in occupancy expense.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 22.80 per cent at the beginning of the year, to 23.25 per cent at the end of the year. This trend was common only to firms in the larger sales-size category; the smaller firms reported a decline of average inventories from 35.04 per cent to 32.87 per cent. The rate of stock turnover—average of beginning and year-end inventories divided into cost of goods sold—was 2.99 times per year for all responding firms. The rate increased with size of firms from 2.06 to 3.14 for firms in the two typical sales-size groupings, respectively.

Incorporated Companies

Almost all of the reporting firms in the large sales-size category, were incorporated whereas a large proportion of the smaller firms were unincorporated. For this reason, the income tax information has been omitted for the smaller firms in the incorporated companies' table. Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Net profits before income tax deduction, expressed as proportions of their respective net sales, were 3.38 per

cent and 2.91 per cent for "incorporated firms" and "all firms" respectively. Income tax reduced the incorporated firms' ratio of 3.38 per cent to a net profit ratio of 2.26 per cent, a decrease of approximately one-third.

TABLE 8. Operating Results of Incorporated Family Clothing Store Chains, 1953

(Items expressed as percentages of net sales)

| Item | Firms with 1953 sales of \$750,000 and over | Total all sizes |
|--|---|-----------------|
| Gross Profit..... | 31. 67 | 31. 55 |
| Total operating expenses | 29. 18 | 29. 02 |
| Net operating profit | 2. 49 | 2. 53 |
| Non-trading income..... | 1. 10 | 1. 13 |
| Non-trading expense..... | 0. 29 | 0. 28 |
| Net profit before income tax deduction | 3. 30 | 3. 38 |
| Income tax | 1. 11 | 1. 12 |
| Final net profit | 2. 19 | 2. 26 |

Comparison of 1951 and 1953 Operating Results

The principle operating ratios of the 1951 and 1953 surveys are summarized in the following table for the purpose of comparison. There was a decline in the number of responding firms from 16 in 1951 to 15 in 1953 accompanied by a decline in the number of retail outlets operated from 106 to 98 for the two survey years respectively. However, the results of a few of the larger firms which reported in 1951 are not included in the 1953 tabulations. Consequently, there is a substantial decline in the average net sales per firm. Ratios, however, tend to eliminate this difference and may be used with a reasonable degree of reliability when comparing the results of two surveys.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1951 to \$1,100,000 in 1953, and rent showed a proportionate increase from

\$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The gross profit ratio increased from 28.78 per cent in 1951 to 31.04 per cent in 1953 for all reporting firms. Operating expenses, also expressed as percentages of average net sales for the respective years, showed an increase of approximately the same magnitude from 26.77 per cent to 29.04 per cent. Consequently, there was only a negligible decline in the ratio of net operating profit from 2.01 per cent in 1951 to 2.00 per cent in 1953.

TABLE 9. Main Operating Results Items for 1951 and 1953 Compared

(Items expressed as percentages of net sales)

| Item | 1951 (16 firms) % | 1953 (15 firms) % |
|--------------------------------|-------------------------|-------------------------|
| Gross profit | 28. 78 | 31. 04 |
| Operating expenses: | | |
| Salaries | 14. 56 | 16. 48 |
| Occupancy | 3. 06 | 3. 49 |
| Advertising | 3. 13 | 1. 81 |
| All other..... | 6. 02 | 7. 26 |
| Total operating expenses | 26. 77 | 29. 04 |
| Net operating profit | 2. 01 | 2. 00 |

SHOE STORE CHAINS

A total of 516 retail outlets were operated by the 30 shoe store chains reporting to this survey. Operating profit and expense ratios are presented for two typical sales-size categories as well as total

all sizes. In addition, main operating ratios, income tax deductions and final net profit ratios are shown for the incorporated companies.

REVIEW OF 1953 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of chain shoe stores, irrespective of the number of retail outlets, might be compared with a high degree of accuracy. In 1953 shoe store chains obtained an average gross profit of 31.60 per cent of average net sales. Gross profit ratios for the two categories were 31.23 per cent and 31.71 per cent, increasing with sales-size. Conversely, total operating expenses which averaged 26.72 per

cent, were 29.57 per cent in the smaller category and 25.85 per cent in the larger category. Consequently the firms in the larger sales-size group, having the larger gross profit and smaller operating expense ratios, netted a substantially greater operating profit ratio of 5.86 per cent. Non-trading expense and income netted an increase to the operating profit ratios of the smaller and total all firms categories resulting in respective net profit ratios, before income tax deduction, of 1.98 per cent and 4.94 per cent. The larger sales-size group showed a net profit ratio, before deduction of income tax, of 5.84 per cent.

TABLE 10. Operating Results of Shoe Store Chains, 1953, by Size of Firm

| Item | Firms with 1953 sales of | | Total all sizes |
|---|--------------------------|----------------------|-----------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| Number of firms | 21 | 9 | 30 |
| Number of stores operated | 148 | 368 | 516 |
| Average net sales per firm | \$ 386,825 | 2,961,922 | 1,159,354 |
| Average cost of goods sold | \$ 266,002 | 2,022,686 | 793,008 |
| Average inventory per firm: | | | |
| Beginning of year | \$ 118,847 | 708,685 | 295,799 |
| Per cent of average net sales | 30.72 | 23.93 | 25.51 |
| End of year | \$ 127,391 | 823,211 | 336,137 |
| Per cent of average net sales | 32.93 | 27.79 | 28.99 |
| Stock turnover (times per year) | 2.16 | 2.64 | 2.51 |
| Profit and loss data (per cent of net sales) | | | |
| Gross profit | 31.23 | 31.71 | 31.60 |
| Operating expenses: | | | |
| Salaries: | | | |
| Executives | 3.44 | 1.49 | 1.95 |
| Other employees | 13.07 | 12.76 | 12.83 |
| Employees' benefits | 0.14 | 0.13 | 0.13 |
| Occupancy | 5.43 | 4.41 | 4.65 |
| Heat, light and power | 0.73 | 0.62 | 0.65 |
| Taxes, licenses ¹ | 0.51 | 0.43 | 0.45 |
| Insurance ¹ | 0.50 | 0.36 | 0.39 |
| Repairs and maintenance ¹ | 0.52 | 0.46 | 0.47 |
| Depreciation ¹ | 0.53 | 0.62 | 0.60 |
| Supplies | 0.46 | 0.60 | 0.57 |
| Advertising | 1.57 | 1.67 | 1.65 |
| Travelling | 0.32 | 0.22 | 0.24 |
| Communication | 0.35 | 0.19 | 0.22 |
| Delivery | 0.59 | 0.25 | 0.33 |
| Bad debt loss | 0.01 | 0.01 | 0.01 |
| All other expenses | 1.40 | 1.63 | 1.58 |
| Total operating expenses | 29.57 | 25.85 | 26.72 |
| Net operating profit | 1.66 | 5.86 | 4.88 |
| Non-trading income | 0.50 | 0.06 | 0.16 |
| Non-trading expense | 0.18 | 0.08 | 0.10 |
| Net profit before income tax deduction | 1.98 | 5.84 | 4.94 |

1. Excludes amount attributed to real estate which is in occupancy expense.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 25.51 per cent at the beginning of the year to 28.99 per cent at the end of the year. This trend was common to firms in both sales-size groups. The rate of stock turnover—average of beginning and year-end inventories divided into cost of goods sold—was 2.51 times per year, a slightly higher rate than was ascertained from the 1951 survey results. The rates for the two groups, 2.16 and 2.64 times per year, increased with sale-size.

Incorporated Companies, 1953

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the incorporated firms obtained slightly higher profit ratios. Net profits before income tax, expressed as proportions of the respective net sales, were 5.41 per cent and 4.94 per cent for "incorporated firms" and "all firms". Income tax reduced the incorporated firms' ratio of 5.41 per cent to a final net profit of 2.65 per cent, a decline of 51 per cent.

Comparison of 1951 and 1953 Operating Results

The principal operating ratios of the 1951 and 1953 surveys are summarized in the following table for comparative purposes. The 1953 results were derived from returns submitted by 30 firms whereas the 1951 survey had 29 respondents. This addition to the number of firms in the 1953 results is the net result of one less large firm and two additional smaller firms. Despite the increased number of smaller firms, the number of retail outlets operated by this group of firms declined from 154 in 1951 to 148 in 1953. This situation was therefore reflected in the comparison of all firms. The disparity resulting from the additional smaller firms tended to depress the increase of average net sales. Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets.

Profit and expense ratios are expressed as percentages of average net sales and it is therefore difficult to interpret the ratio changes from one year to the next without examining the changes in net sales. Because the average net sales figure is an average per firm, it is an impractical figure (as such) to use for year to year comparative purposes due to the distortion by the variation in the number of retail outlets. Therefore, in order to examine the change in average net sales together with changes in operating ratios, it would be advisable to express average net sales as an average per retail outlet. Ratios are practically unaffected by this condition, therefore sales and operating ratios have a common basis which permits direct comparison. That is, because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1951 to \$1,100,000 in 1953, and rent showed a proportionate increase from

TABLE 11. Operating Results of Incorporated Shoe Store Chains, 1953

(Items expressed as percentages of net sales)

| Item | Firms with 1953 sales of | | Total all sizes |
|--|--------------------------|----------------------|-----------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| Gross profit | 30. 83 | 32. 20 | 31. 96 |
| Total operating expenses .. | 28. 47 | 26. 13 | 26. 54 |
| Net operating profit | 2. 36 | 6. 07 | 5. 42 |
| Non-trading income | 0. 48 | 0. 03 | 0. 11 |
| Non-trading expense | 0. 29 | 0. 09 | 0. 12 |
| Net profit before income tax deduction | 2. 55 | 6. 01 | 5. 41 |
| Income tax | 1. 23 | 3. 08 | 2. 76 |
| Final net profit | 1. 32 | 2. 93 | 2. 65 |

\$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The average net sales per firm in 1953 was 8.11 per cent greater than the average ascertained from the 1951 survey. Therefore, the very slight increase in the gross profit ratio indicates that the average gross profit per firm increased at a slightly higher rate than did net sales. Although the total operating expenses also showed only a slight increase in the ratio, the increase was greater than that which occurred in the gross profit. Consequently, the net operating profit ratio declined from 5.10 per cent in 1951 to 4.88 per cent in 1953.

TABLE 12. Main Operating Results Items for 1951 and 1953 Compared

(Items expressed as percentages of net sales)

| Item | 1951 (29 firms) | 1953 (30 firms) |
|--------------------------------|--------------------|--------------------|
| | % | % |
| Gross Profit | 31. 58 | 31. 60 |
| Operating expenses: | | |
| Salaries | 14. 61 | 14. 78 |
| Occupancy | 4. 57 | 4. 65 |
| Advertising | 1. 55 | 1. 65 |
| All other | 5. 75 | 5. 64 |
| Total operating expenses | 26. 48 | 26. 72 |
| Net operating profit | 5. 10 | 4. 88 |

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OPERATING RESULTS OF
CHAIN CLOTHING STORES
1955



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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢
- B — Operating Results of Food Wholesalers, 25¢
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
 - 2 Operating Results of Drug Wholesalers, 25¢
 - 3 Operating Results of Hardware Wholesalers, 25¢
 - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
 - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II — Retail Statistics

- E — General Review — (Discontinued)
- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- H — Operating Results of Food Store Chains, 25¢
- I — Operating Results of Clothing Store Chains, 25¢
- J — 1 Operating Results of Variety Store Chains, 25¢
 - 2 Operating Results of Drug Stores Chains, 25¢
 - 3 Operating Results of Furniture Store Chains, 25¢
- *K — Operating Results of Independent Food Stores, 25¢
- *L — Operating Results of Independent Clothing Stores, 25¢
- *M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
- *N — Operating Results of Filling Stations and Garages, 25¢
- *O — 1 Operating Results of Independent General Stores, 25¢
 - 2 Operating Results of Independent Restaurants, 25¢
 - 3 Operating Results of Independent Fuel Dealers, 25¢
 - 4 Operating Results of Independent Drug Stores, 25¢
 - 5 Operating Results of Independent Jewellery Stores, 25¢
 - 6 Operating Results of Independent Tobacco Stores, 25¢
- P — Retail Credit, 25¢

Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S — Hotels, 25¢
- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
- V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W — Advertising Agencies (Memorandum), 10¢
- X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1955.

OPERATING RESULTS OF CHAIN CLOTHING STORES

1955

INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

Scope—Chain store firms are those which operate four or more retail outlets. Chain firms of four trades are covered in this bulletin—men's clothing, women's clothing, family clothing and shoe stores.

Content—This bulletin deals with profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. There were not enough firms in any of these trades to permit publication of regional results. There were no Newfoundland stores in this survey. Salaries of proprietors of unincorporated companies have been included with executive salaries. Income tax tabulation was made for incorporated companies only.

In this report "occupancy expense" includes heat, light and power, taxes, insurance, mortgage interest, repairs and depreciation on owned real

estate used in the business, together with rental expense on rented premises. Similarly "delivery expense" includes salaries, insurance, licenses, repairs, maintenance, gas, oil and depreciation of owned equipment, together with expense of contract delivery.

Purpose—The primary purpose of the operating results surveys is to provide averages on the different phases of business operation against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Period Covered—This report deals mainly with 1955 operations and is the fifth biennial publication in a series begun in 1947. Certain summary tables show comparative results for 1953 and 1955. The chart shows the gross profit components for 1949, 1951, 1953 and 1955 by suitable sales-size classifications for each trade.

SUMMARY OF 1955 OPERATING RESULTS BY TRADES

The principal operating results figures for the chain clothing store business are summarized in the following table. In analyzing the results of an individual chain clothing company, reference should be made to the detailed tables in the appropriate section of this bulletin. In these sections (men's, women's and family clothing and shoe store chains) where practicable, operating figures for typical sales-size classifications, in addition to detailed operating ratios, are revealed. Because a chain store is a firm operating four or more retail outlets, the absolute dollar values (average net sales, cost of goods etc.) are shown for a singular purpose only. That is, these dollar values are shown for the purpose of assisting chain store managements to place their respective firms in relation to the average in the appropriate sales-size category. This relationship to the average facilitates a more accurate profit and loss statement ratio analysis.

Average gross profits, expressed as percentages of average net sales for the four specific kinds of chain clothing store business, were within the range of 30.97 per cent to 33.35 per cent for men's clothing store and family clothing store chain firms respectively. Total operating expenses showed a wider range from 27.98 per cent for shoe store, to 31.64 per cent for family clothing store chain firms. Family clothing store chain firms, which averaged the highest gross profit ratio and the highest operating expense ratio, reported the lowest net operating profit ratio of 1.71 per cent. Shoe store chain firms, which averaged the second highest gross profit ratio and the lowest total operating expense ratio, netted the highest operating profit ratio of 4.97 per cent. Generally non-trading income and expense operations netted an increase which resulted in ratios of net profit before taxation of 2.98 per cent for men's clothing, 4.48 per cent for women's clothing, 1.96 per cent for family clothing and 4.76 per cent for shoe store chain firms, the only decrease from 1953.

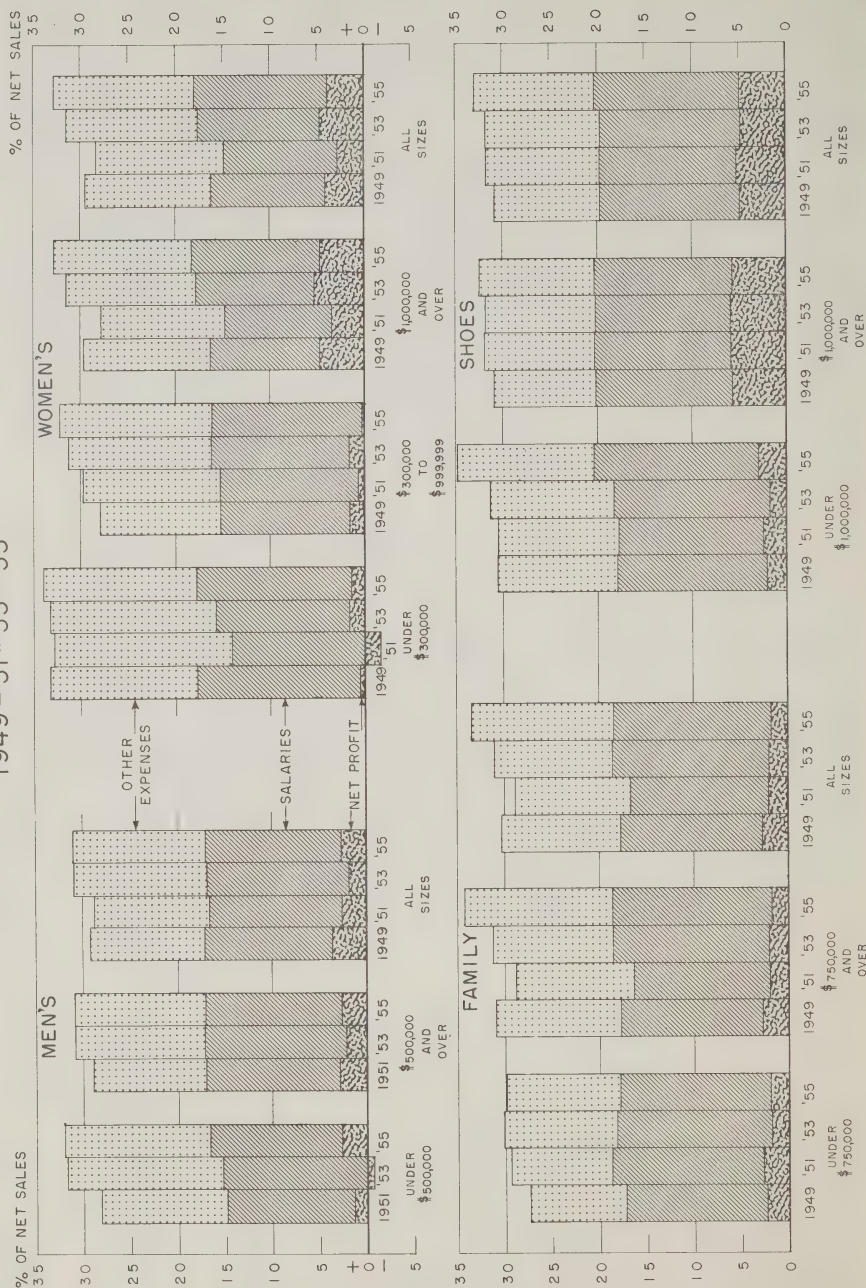
Comparison of Main Profit and Loss Items in Clothing Store Chains, 1955

| Item | Men's clothing | Women's clothing | Family clothing | Shoes |
|--|----------------|------------------|-----------------|-------------|
| Number of firms | 18 | 30 | 18 | 35 |
| Average net sales per firm | \$ 919, 272 | 1, 617, 295 | 1, 388, 678 | 1, 094, 467 |
| Rate of stock turnover (times per year) | 2.62 | 5.23 | 2.85 | 2.33 |
| Profit and Loss data (Per cent of net sales): | | | | |
| Gross profit | 30.97 | 32.70 | 33.35 | 32.95 |
| Operating expenses | 28.39 | 28.77 | 31.64 | 27.98 |
| Net operating profit | 2.58 | 3.93 | 1.71 | 4.97 |
| Non-trading income | 0.46 | 0.57 | 0.83 | 0.11 |
| Non-trading expense | 0.06 | 0.02 | 0.58 | 0.32 |
| Net profit before income tax deduction | 2.98 | 4.48 | 1.96 | 4.76 |

OPERATING RESULTS OF CHAIN CLOTHING STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

1949-'51-'53-'55



MEN'S CLOTHING STORE CHAINS

The 18 firms from which reports were received, together operated 132 retail outlets in 1955. There was a sufficient number of firms reporting to permit a sales-size breakdown of results. Of all the firms

reporting only 2 were unincorporated which permitted presentation of a table of incorporated firms showing income tax information for both sales-size categories.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items presented in this form, on a unit basis, a standard is established. To this standard, the operating results of men's clothing store chains, irrespective of the number of retail outlets, might be compared with a high degree of accuracy.

In 1955, men's clothing store chains obtained an average gross profit ratio of 30.97 per cent of average net sales. Total operating expense ratio of 28.39 per cent reduced gross profit to a net

operating profit ratio of 2.58 per cent. Seven of the firms reporting for this current survey did not report for 1953 or reported for the first time in 1955. The group "under \$500,000" had a net operating profit ratio of 2.67 per cent compared with a loss of 0.74 per cent in 1953. The "\$500,000 and over" sales-size ratios were very close to the total "all-sizes" ratios and compared well with the same group of 1953. The non-trading expense and income increased the profit ratios for the larger firms, more than compensating for the small decrease registered in the smaller sales-size.

TABLE 1. Operating Results of Men's Clothing Store Chains, 1955, by Size of Firm

| Item | Firms with 1955 sales of | | Total all sizes |
|---|--------------------------|--------------------|-----------------|
| | Under \$500,000 | \$500,000 and over | |
| Number of firms | 7 | 11 | 18 |
| Number of stores operated | 33 | 99 | 132 |
| Average net sales per firm | \$ 291,602 | 1,318,697 | 919,272 |
| Average cost of goods sold | \$ 198,409 | 912,164 | 634,593 |
| Average inventory per firm: | | | |
| Beginning of year | \$ 112,230 | 339,114 | 250,882 |
| Per cent of average net sales | 38.49 | 25.72 | 27.29 |
| End of year | \$ 111,514 | 310,096 | 232,870 |
| Per cent of average net sales | 38.24 | 23.52 | 25.33 |
| Stock turnover (times per year) | 1.77 | 2.81 | 2.62 |
| Profit and loss data (per cent of net sales) | | | |
| Gross profit | 31.96 | 30.83 | 30.97 |
| Operating expenses: | | | |
| Salaries: | | | |
| Executives | 3.78 | 1.78 | 2.03 |
| Other employees | 10.23 | 12.70 | 12.40 |
| Employees' benefits | 0.11 | 0.21 | 0.20 |
| Occupancy | 6.70 | 4.78 | 5.02 |
| Taxes, licenses ¹ | 0.49 | 0.43 | 0.43 |
| Insurance ¹ | 0.51 | 0.49 | 0.49 |
| Repairs and maintenance ¹ | 0.27 | 0.44 | 0.42 |
| Depreciation ¹ | 1.20 | 0.59 | 0.67 |
| Supplies | 0.55 | 0.85 | 0.81 |
| Advertising | 2.40 | 3.02 | 2.94 |
| Travelling | 0.23 | 0.25 | 0.25 |
| Communication | 0.35 | 0.29 | 0.30 |
| Delivery | 0.23 | 0.26 | 0.25 |
| Bad debt loss | 0.07 | 0.30 | 0.27 |
| All other expenses | 2.17 | 1.87 | 1.91 |
| Total operating expenses | 29.29 | 28.26 | 28.39 |
| Net operating Profit | 2.67 | 2.57 | 2.58 |
| Non-trading income | 0.14 | 0.51 | 0.46 |
| Non-trading expense | 0.16 | 0.05 | 0.06 |
| Net profit before income tax deduction | 2.65 | 3.03 | 2.98 |

1. Excludes amount attributed to real estate which is in occupancy expense.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, decreased from 27.29 per cent at the beginning of the year to 25.33 per cent at the end of the year. Both sales sizes experienced a decrease, but the larger group was the more pronounced. The rate of stock turnover—average of beginning and ending inventories divided into cost of goods sold—was 2.62 times per year, almost identical to the 1953 result of 2.61 times per year. Again the larger firms' influence was felt with a 2.81 stock turnover rate.

Incorporated Companies

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated that the differences in the ratios were negligible. Total operating expense ratios were smaller for "incorporated firms" with the result that their net profit ratios were slightly higher than corresponding ratios for "all firms". Only the sales size "under \$500,000" was affected; larger firms reporting were all incorporated. Net profits before income tax deduction, for the total all-sizes cate-

gory, were 2.99 per cent for "incorporated" and 2.98 for "all firms". Income tax reduced the incorporated firms' net profit ratio to 1.91 per cent from 2.99 per cent.

TABLE 2. Operating Results of Incorporated Men's Clothing Store Chains, 1955

(Items expressed as percentages of net sales)

| Item | Firms with 1955 sales of | | Total all sizes |
|---|--------------------------|--------------------|-----------------|
| | Under \$500,000 | \$500,000 and over | |
| Gross profit..... | 31.82 | 30.83 | 30.93 |
| Total operating expenses .. | 28.98 | 28.26 | 28.34 |
| Net operating profit | 2.84 | 2.57 | 2.59 |
| Non-trading income..... | 0.10 | 0.51 | 0.46 |
| Non-trading expense..... | 0.19 | 0.05 | 0.06 |
| Net profit before income tax deduction..... | 2.75 | 3.03 | 2.99 |
| Income tax..... | 0.78 | 1.12 | 1.08 |
| Final net profit..... | 1.97 | 1.91 | 1.91 |

Comparison of 1953 and 1955 Operating Results

The principal operating ratios of the 1953 and 1955 surveys are summarized in the following table for the purpose of comparison. The number of respondents in 1955 increased to 18 from 15 in 1953. This increase in firms reporting had a tendency to decrease the average net sales per firm.

Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets. Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The average net sales per firm in 1955 was 11.64 per cent smaller than the average derived from the 1953 survey results. Therefore, the decrease in the proportion of gross profit to sales in 1955 indicates that the average absolute gross profit also decreased but to a lesser extent than did average net sales. The increase in the gross profit

ratio coupled with the decrease in total operating expenses from 1953 to 1955 caused an appreciable gain in the net operating profit in 1955, 2.58 per cent compared with 1.81 per cent in 1953.

TABLE 3. Men's Clothing Store Chains Main Operating Results for 1953 and 1955 Compared

(Items expressed as percentages of net sales)

| Item | 1953 (15 firms) | 1955 (18 firms) |
|--------------------------------|--------------------|--------------------|
| | % | % |
| Gross profit..... | 30.91 | 30.97 |
| Operating expenses: | | |
| Salaries | 15.13 | 14.43 |
| Occupancy | 4.29 | 5.02 ¹ |
| Advertising | 3.18 | 2.94 |
| All other expenses..... | 6.50 ¹ | 6.00 |
| Total operating expenses | 29.10 | 28.39 |
| Net operating profit | 1.81 | 2.58 |

1. Includes "Heat, light and power."

WOMEN'S CLOTHING STORE CHAINS

A total of 467 retail outlets were operated by the 30 women's clothing store firms reporting to this survey. Operating profit and expense ratios are presented for three typical sales-size categories as

well as total all sizes. In addition, main operating ratios, income tax deductions and final net profit ratios are shown for the incorporated companies.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of women's clothing store chains, irrespective of the number of retail outlets operated, might be compared with a high degree of reliability.

In 1955 women's clothing store chains obtained an average gross profit of 32.70 per cent of average net sales. Within the three typical sales-size ranges, the smallest firms reported the highest ratio of 33.92 per cent, the middle-sized firms the lowest of 32.06 per cent, and the larger firms 32.77 per cent. Total operating expenses amounted to 28.77 per cent of net sales for all reporting firms and ranged from

32.55 per cent to 28.06 per cent, decreasing as the sales sizes increased. Because the operating expense ratios showed a much larger range than the gross profit ratios, the larger firms, which reported the lowest operating expense ratio (28.06 per cent) obtained the highest net operating profit of 4.71 per cent. The sales-size \$300,000 to \$999,999 showed the lowest net operating profit of 0.24 per cent, as a result of having the lowest gross profit ratio and second highest operating expense ratios. The under \$300,000 group had the highest operating expense ratio of 32.55 per cent but also the highest gross profit ratio, resulting in a 1.37 per cent net operating profit. Non-trading income and expense ratios did not change the smaller firms' net operating profit of 1.37 per cent, but netted an increase in the two remaining groups, which resulted in ratios of net profit before taxation of 0.87 per cent and 5.26 per cent respectively.

TABLE 4. Operating Results of Women's Clothing Store Chains, 1955, by Size of Firm

| Item | Firms with 1955 sales of | | | Total all sizes |
|---|--------------------------|------------------------|----------------------|-----------------|
| | Under \$300,000 | \$300,000 to \$999,999 | \$1,000,000 and over | |
| Number of firms | 9 | 11 | 10 | 30 |
| Number of stores operated | 55 | 92 | 320 | 467 |
| Average net sales per firm | \$ 201,051 | 644,161 | 3,962,361 | 1,617,295 |
| Average cost of goods sold | \$ 132,850 | 437,623 | 2,663,948 | 1,088,300 |
| Average inventory per firm: | | | | |
| Beginning of year | \$ 50,348 | 108,612 | 380,691 | 181,826 |
| Per cent of average net sales | 25.04 | 16.86 | 9.61 | 11.24 |
| End of year | \$ 54,602 | 135,380 | 503,983 | 234,014 |
| Per cent of average net sales | 27.16 | 21.02 | 12.72 | 14.47 |
| Stock turnover (times per year) | 2.53 | 3.59 | 6.02 | 5.23 |
| Profit and loss data (per cent of net sales) | | | | |
| Gross profit | 33.92 | 32.06 | 32.77 | 32.70 |
| Operating expenses: | | | | |
| Salaries: | | | | |
| Executives | 3.78 | 3.20 | 1.16 | 1.56 |
| Other employees | 12.70 | 12.73 | 12.46 | 12.51 |
| Employees' benefits | 0.16 | 0.28 | 0.31 | 0.30 |
| Occupancy | 9.05 | 6.97 | 6.20 | 6.42 |
| Taxes, licenses ¹ | 0.87 | 0.49 | 0.47 | 0.49 |
| Insurance ¹ | 0.73 | 0.54 | 0.26 | 0.32 |
| Repairs and maintenance ¹ | 0.24 | 0.49 | 0.67 | 0.62 |
| Depreciation ¹ | 0.86 | 1.75 | 1.23 | 1.29 |
| Supplies | 0.72 | 0.74 | 1.61 | 1.45 |
| Advertising | 1.12 | 1.65 | 1.42 | 1.44 |
| Travelling | 0.23 | 0.55 | 0.38 | 0.40 |
| Communication | 0.52 | 0.37 | 0.34 | 0.35 |
| Delivery | 0.26 | 0.12 | 0.05 | 0.07 |
| Bad debt loss | 0.03 | 0.36 | 0.06 | 0.10 |
| All other expenses | 1.28 | 1.58 | 1.44 | 1.45 |
| Total operating expenses | 32.55 | 31.82 | 28.06 | 28.77 |
| Net operating profit | 1.37 | 0.24 | 4.71 | 3.93 |
| Non-trading income | 0.07 | 0.70 | 0.57 | 0.57 |
| Non-trading expense | 0.07 | 0.07 | 0.02 | 0.02 |
| Net profit before income tax deduction | 1.37 | 0.87 | 5.26 | 4.48 |

1. Excludes amount attributed to real estate which is in occupancy expense.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 11.24 per cent at the beginning of the year to 14.47 per cent at the end of the year. This trend was common to all sales-sizes. The rate of

stock turnover-average of beginning and ending inventories divided into cost of goods sold-was 5.23 times per year, compared with 5.48 times per year for 1953.

Incorporated Companies

Twenty-five of the 30 firms reporting were incorporated; no unincorporated firms reported in sales-size class of \$300,000 to \$999,999. The remaining incorporated firms reporting were 9 in the \$1,000,000 and over sales-size and 5 in the under \$300,000 sales group. Comparison of the profit and expense ratios of the incorporated firms only, with

all firms, indicated that the differences in the ratios were negligible. Net profits before income tax deduction, expressed as proportions of the respective net sales, were 4.47 per cent and 4.48 per cent for "incorporated firms" and "all firms" respectively. Income tax reduced the "incorporated firms" profit ratio to 2.39 per cent a decrease of 46.53 per cent.

TABLE 5. Operating Results of Incorporated Women's Clothing Store Chain, 1955
(Items expressed as percentages of net sales)

| Item | Firms with 1955 sales of | | | Total all sizes |
|--|--------------------------|------------------------|----------------------|-----------------|
| | Under \$300,000 | \$300,000 to \$999,999 | \$1,000,000 and over | |
| Gross profit | 35.06 | 32.06 | 32.53 | 32.51 |
| Total operating expenses | 33.89 | 31.82 | 27.87 | 28.59 |
| Net operating profit | 1.17 | 0.24 | 4.66 | 3.92 |
| Non-trading income | 0.11 | 0.70 | 0.57 | 0.58 |
| Non-trading expense | 0.13 | 0.07 | 0.02 | 0.03 |
| Net profit before income tax deduction | 1.15 | 0.87 | 5.21 | 4.47 |
| Income tax | 0.34 | 0.28 | 2.45 | 2.08 |
| Final net profit | 0.81 | 0.59 | 2.76 | 2.39 |

Comparison of 1953 and 1955 Operating Results

The principal operating ratios of the 1953 and 1955 surveys are summarized in the following table for the purpose of comparison. Firms reporting in 1955 numbered 30 compared with 28 firms in 1953; the retail outlets numbered 467 in 1955 against 434 in 1953. The reporting firms were not the same in the two years. Only 17 of the 28 firms in the 1953 survey also reported for 1955.

Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets. Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The average net sales per firm in 1955 was 3.88 per cent higher than the average of the 1953 survey. Therefore, the increase in the gross profit ratio indicates that the average gross profit per firm increased at a higher rate than did net sales. Total operating expenses also showed an increase in ratio but greater than that which occurred in the gross profit item. Consequently, the net operating profit ratio declined from 4.68 per cent in 1953 to 3.93 per cent in 1955.

TABLE 6. Women's Clothing Store Chains Main Operating Results for 1953 and 1955 Compared
(Items expressed as percentages of net sales)

| Item | 1953 (28 firms) | 1955 (30 firms) |
|-------------------------------|--------------------|--------------------|
| Gross profit..... | 31.48 | 32.70 |
| Operating expenses: | | |
| Salaries | 12.90 | 14.07 |
| Occupancy | 4.97 | 6.42 ¹ |
| Advertising | 1.51 | 1.44 |
| All other expenses | 7.42 ¹ | 6.84 |
| Total operating expenses | 26.80 | 28.77 |
| Net operating profit | 4.68 | 3.93 |

1. Includes "Heat, Light and Power."

FAMILY CLOTHING STORE CHAINS

The 18 firms from which reports were received together operated a total of 126 retail outlets. Results for these are shown in two sales-size groups with the division at \$750,000 annual net sales.

Sufficient firms were incorporated to permit a breakdown of income tax information for each sales-size group.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and detailed expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of family clothing chains, irrespective of the number of retail outlets, might be compared with a high degree of reliability.

In 1955, family clothing store chains obtained an average gross profit ratio of 33.35 per cent of average net sales. Total operating expense ratio of 31.64 per cent reduced this marginal profit to a net operating profit of 1.71 per cent. Of the 18

respondents in 1955, only 10 reported data in 1953. The other 8 firms were either delinquent in 1953 or reported for the first time in 1955. The "\$750,000 and over" group had the larger gross profit and total operating expenses of the two sales-size groups but a lower net operating profit of 1.67 per cent. The 1955 net profit was 1.90 per cent for the "under \$750,000" group. In each instance non-trading income and expense ratios netted an increase. The smaller firms obtained a ratio of net profit before taxation of 2.04 per cent, the larger firms 1.94 per cent, and all firms 1.96 per cent of their respective average net sales.

TABLE 7. Operating Results of Family Clothing Store Chains, 1955, by Size of Firm

| Item | Firms with 1955 sales of | | Total all sizes |
|---|--------------------------|--------------------|-----------------|
| | Under \$750,000 | \$750,000 and over | |
| Number of firms | 9 | 9 | 18 |
| Number of stores operated | 56 | 70 | 126 |
| Average net sales per firm | \$ 516,274 | 2,261,083 | 1,388,678 |
| Average cost of goods sold | \$ 362,072 | 1,489,029 | 925,550 |
| Average inventory per firm: | | | |
| Beginning of year | \$ 143,779 | 473,423 | 308,601 |
| Per cent of average net sales | 27.85 | 20.94 | 22.22 |
| End of year | \$ 156,505 | 526,772 | 341,639 |
| Per cent of average net sales | 30.31 | 23.30 | 24.60 |
| Stock turnover (times per year) | 2.41 | 2.98 | 2.85 |
| Profit and loss data (per cent of net sales) | | | |
| Gross profit | 29.87 | 34.14 | 33.35 |
| Operating expenses: | | | |
| Salaries: | | | |
| Executives | 4.03 | 1.52 | 1.99 |
| Other employees | 11.96 | 15.35 | 14.72 |
| Employees' benefits | 0.17 | 0.32 | 0.29 |
| Occupancy | 4.18 | 5.05 | 4.89 |
| Taxes, licenses ¹ | 0.22 | 0.39 | 0.36 |
| Insurance ¹ | 0.61 | 0.49 | 0.51 |
| Repairs and maintenance ¹ | 0.27 | 0.38 | 0.36 |
| Depreciation ¹ | 0.79 | 1.04 | 0.99 |
| Supplies | 0.64 | 0.61 | 0.61 |
| Advertising | 2.39 | 3.78 | 3.53 |
| Travelling | 0.60 | 0.54 | 0.55 |
| Communication | 0.29 | 0.39 | 0.37 |
| Delivery | 0.15 | 0.68 | 0.58 |
| Bad debt loss | 0.02 | 0.25 | 0.21 |
| All other expenses | 1.65 | 1.68 | 1.68 |
| Total operating expenses | 27.97 | 32.47 | 31.64 |
| Net operating profit | 1.90 | 1.67 | 1.71 |
| Non-trading income | 0.53 | 0.90 | 0.83 |
| Non-trading expense | 0.39 | 0.63 | 0.58 |
| Net profit before income tax deductions | 2.04 | 1.94 | 1.96 |

1. Excludes amount attributed to real estate which is in occupancy expense.*

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 22.22 per cent at the beginning of the year, to 24.60 per cent at the end of the year. Both sales-size groups experienced an increase of approximately the same magnitude. The rate of stock

turnover—average of beginning and year-end inventories divided into cost of goods sold—was 2.85 times per year for all responding firms. The rate increased with size of annual net sales from 2.41 to 2.98 for firms in the respective sales-size groupings.

Incorporated Companies

Comparison of the profit and expense ratios of the incorporated firms only, with all firms, indicated very slight differences in the ratios. There were 8 incorporated firms in the smaller sales-size category and 7 firms in the larger class. With this number of incorporated firms it was possible to present a breakdown by sales size. Net profits before

income tax deduction expressed as proportions of their respective sales, were 1.96 per cent for "all firms" and 2.13 per cent for "incorporated firms". Income tax reduced the ratio of 2.13 per cent to a final net profit of 1.11 per cent, a decrease of 47.89 per cent.

TABLE 8. Operating Results of Incorporated Family Clothing Store Chains, 1955
(Items expressed as percentages of net sales)

| Item | Firms with 1955 net sales of | | Total all sizes |
|--|------------------------------|-----------------------|-----------------------|
| | Under \$750,000 | \$750,000 and over | |
| Gross profit | 30.56 | 34.50 | 33.74 |
| Total operating expenses | 28.49 | 32.61 | 31.82 |
| Net operating profit | 2.07 | 1.89 | 1.92 |
| Non-trading income | 0.56 | 0.91 | 0.85 |
| Non-trading expense | 0.41 | 0.70 | 0.64 |
| Net profit before income tax deduction | 2.22 | 2.10 | 2.13 |
| Income tax | 0.64 | 1.10 | 1.02 |
| Final net profit | 1.58 | 1.00 | 1.11 |

Comparison of 1953 and 1955 Operating Results

The principal operating ratios of the 1953 and 1955 surveys are summarized in the following table for the purpose of comparison. The number of respondents in 1955 increased to 18 from 15 in 1953. This increase in firms reporting had a tendency to increase the average net sales per firm, from \$1,201,798 in 1953 to \$1,388,678 in 1955. This year 5 more firms reported in the smaller sales-size and 2 firms less in the larger sales-size.

Ratios, however, tend to eliminate this difference and may be used with a reasonable degree of reliability when comparing the results of two surveys.

Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10% from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10%, the rent expense ratio would show a decrease. It is therefore necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The gross profit ratio increased from 31.04 per cent in 1953 to 33.35 in 1955 but operating expenses increased to a greater extent than gross profit from 29.04 per cent in 1953 to 31.64 per cent in 1955. This resulted in a net operating profit decrease, 1.71 per cent in 1955 compared with 2.00 per cent in 1953.

TABLE 9. Family Clothing Store Chains Main Operating Results for 1953 and 1955 Compared

(Items expressed as percentages of net sales)

| Item | 1953 (15 firms) | 1955 (18 firms) |
|--------------------------------|--------------------|--------------------|
| Gross profit | 31.04 | 33.35 |
| Operating expenses: | | |
| Salaries | 16.48 | 16.71 |
| Occupancy | 3.49 | 4.89 ¹ |
| Advertising | 1.81 | 5.53 |
| All other expenses | 7.26 ¹ | 6.51 |
| Total operating expenses | 29.04 | 31.64 |
| Net operating profit | 2.00 | 1.71 |

1. Includes "Heat, light and power".

SHOE STORE CHAINS

A total of 578 retail outlets were operated by the 35 shoe store firms reporting to this survey in 1955. Operating profit and expense ratios are presented for two typical sales-size categories as well

as for total all sizes. In addition, main operating ratios, income tax deductions and final net profit ratios are shown for the incorporated companies.

REVIEW OF 1955 OPERATING RESULTS

Profit and Expense Ratios

Profit and expense ratios represent portions of the average net sales' dollar. With profits and expense items expressed in this form, on a unit basis, a standard is established. To this standard the operating results of chain shoe stores, irrespective of the number of retail outlets, might be compared with a higher degree of accuracy.

In 1955, shoe store chains obtained an average gross profit of 32.95 per cent of average net sales. The under \$1,000,000 sales-size group had the higher gross profit, 34.74 per cent, and also the

higher total operating expenses, 31.81 per cent, resulting in a 2.93 per cent net operating profit. Sales-size \$1,000,000 and over was exactly opposite with smaller gross profit and total operating expenses but with higher net operating profit, 32.34 per cent, 26.67 per cent, and 5.67 per cent, respectively. Non-trading expense and income netted a decrease to the operating profit ratios for both groups resulting in respective net profit ratios before income tax deduction of 2.85 per cent and 5.41 per cent. Total all sizes had 4.76 per cent net profit before income tax deduction.

TABLE 10. Operating Results of Shoe Store Chains, 1955, by Size of Firm

| Item | Firms with 1955 sales of | | Total all sizes |
|---|--------------------------|-------------------------|-----------------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| Number of firms..... | 25 | 10 | 35 |
| Number of stores operated..... | 174 | 404 | 578 |
| Average net sales per firm..... \$ | 390,033 | 2,855,553 | 1,094,467 |
| Average cost of goods sold..... \$ | 254,531 | 1,932,187 | 733,861 |
| Average inventory per firm: | | | |
| Beginning of year..... \$ | 127,509 | 769,886 | 311,045 |
| Per cent of average net sales..... | 32.69 | 26.96 | 28.42 |
| End of year..... \$ | 128,765 | 798,515 | 320,122 |
| Per cent of average net sales..... | 33.01 | 27.96 | 29.25 |
| Stock turnover (times per year)..... | 1.99 | 2.46 | 2.33 |
| Profit and loss data (per cent of net sales) | | | |
| Gross profit..... | 34.74 | 32.34 | 32.95 |
| Operating expenses: | | | |
| Salaries: | | | |
| Executives..... | 3.15 | 1.80 | 2.14 |
| Other employees..... | 14.34 | 12.82 | 13.21 |
| Employees' benefits..... | 0.26 | 0.21 | 0.23 |
| Occupancy..... | 6.99 | 5.45 | 5.84 |
| Taxes, licenses ¹ | 0.71 | 0.53 | 0.58 |
| Insurance ¹ | 0.52 | 0.36 | 0.40 |
| Repairs and maintenance ¹ | 0.48 | 0.67 | 0.62 |
| Depreciation ¹ | 0.69 | 0.80 | 0.77 |
| Supplies..... | 0.46 | 0.57 | 0.54 |
| Advertising..... | 1.50 | 1.79 | 1.72 |
| Travelling..... | 0.30 | 0.24 | 0.26 |
| Communication..... | 0.38 | 0.28 | 0.30 |
| Delivery..... | 0.28 | 0.21 | 0.22 |
| Bad debt loss..... | 0.04 | 0.04 | 0.04 |
| All other expenses..... | 1.71 | 0.90 | 1.11 |
| Total operating expenses..... | 31.81 | 26.67 | 27.98 |
| Net operating profit..... | 2.93 | 5.67 | 4.97 |
| Non-trading income..... | 0.17 | 0.09 | 0.11 |
| Non-trading expense..... | 0.25 | 0.35 | 0.32 |
| Net profit before income tax deduction..... | 2.85 | 5.41 | 4.76 |

1. Excludes amount attributed to real estate which is in occupancy expense.

Inventories and Stock Turnover

Average inventories, expressed as percentages of average net sales of all responding firms, increased from 28.42 per cent at the beginning of the year to 29.25 per cent at the end of the year. This trend was common to firms in both sales-size groups. The rate of stock turnover—average of beginning and year-end inventories divided into cost of goods sold—was 2.33 times per year, a lower rate than was ascertained from the 1953 survey results. The rates for the two groups, 1.99 and 2.46 times per year, increased with sale-size.

Incorporated Companies, 1955

Comparison of the profit and expense ratios of the incorporated firms only with all firms indicated that the incorporated firms obtained a higher gross profit, total operating expenses and net profit ratios, with the emphasis on the gross profit ratio. Net profits before income tax, expressed as proportions of the respective net sales, were 5.01 per cent for incorporated firms and 4.76 per cent for all firms. Income tax reduced the incorporated firms' ratio of 5.01 per cent to a final net profit of 2.68 per cent, a decline of 46.51 per cent.

TABLE 11. Operating Results of Incorporated Shoe Store Chains, 1955

(Items expressed as percentages of net sales)

| Item | Firms with 1955 sales of | | Total all sizes |
|--|--------------------------|----------------------|-----------------|
| | Under \$1,000,000 | \$1,000,000 and over | |
| Gross profit | 35.10 | 32.86 | 33.35 |
| Total operating expenses.. | 31.80 | 27.06 | 28.10 |
| Net operating profit | 3.30 | 5.80 | 5.25 |
| Non-trading income | 0.14 | 0.08 | 0.10 |
| Non-trading expense | 0.33 | 0.34 | 0.34 |
| Net profit before income tax deduction | 3.11 | 5.54 | 5.01 |
| Income tax | 0.89 | 2.74 | 2.33 |
| Final net profit | 2.22 | 2.80 | 2.68 |

Comparison of 1953 and 1955 Operating Results

The principal operating ratios of the 1953 and 1955 surveys are summarized in the following table for comparative purposes. The 1955 results were derived from returns submitted by 35 firms whereas the 1953 survey had 30 respondents. Twenty-four of the 35 firms reporting in 1955 also reported in 1953. The average net sales per firm for total all sizes in 1955 were lower than 1953 due to four more firms reporting in the smaller sales-size class and one more in the larger firm category.

Ratios, however, tend to eliminate this difference and may be used with a high degree of reliability when compared with any one firm's results irrespective of the number of outlets. Because a profit or expense ratio decreases from one year to the next, it does not necessarily mean that the profit or expense has decreased. However, because the ratios are percentages of the respective net sales, a decrease does mean that the profit or expense item did not increase at as great a rate as net sales. As an example, if net sales increased 10 per cent from \$1,000,000 in 1953 to \$1,100,000 in 1955, and rent showed a proportionate increase from \$5,000 to \$5,500, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would show a decrease. It is, therefore, necessary to note changes in net sales in order to interpret a change in ratios between two years correctly.

The average of net sales per firm in 1955 was 5.60 per cent smaller than the average ascertained from the 1953 survey. The decrease in the gross

profit per firm decreased to a lesser extent than did the net sales. The operating expenses, however, showed a sizable increase but not enough to reverse the gross profit effect.

The final net profit was 4.97 per cent in 1955 compared to 4.88 per cent in 1953.

TABLE 12. Shoe Store Chains Main Operating Results for 1953 and 1955 Compared

(Items expressed as percentages of net sales)

| Item | 1953 (30 firms) | 1955 (35 firms) |
|--------------------------------|--------------------|--------------------|
| Gross profit | 31.60 | 32.95 |
| Operating expenses: | | |
| Salaries | 14.78 | 15.35 |
| Occupancy | 4.65 | 5.84 ¹ |
| Advertising | 1.65 | 1.72 |
| All other expenses | 5.64 ¹ | 5.07 |
| Total operating expenses | 26.72 | 27.98 |
| Net operating profit | 4.88 | 4.97 |

1. Includes "Heat, light and power".

CATALOGUE No.

63-401

ANNUAL



**OPERATING RESULTS OF
CHAIN CLOTHING STORES
1957**

Published by Authority of

The Honourable Gordon Churchill, Minister of Trade and Commerce

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

- A — Wholesale Trade, 25¢
- B — Operating Results of Food Wholesalers, 25¢
- C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
- D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
 - 2 Operating Results of Drug Wholesalers, 25¢
 - 3 Operating Results of Hardware Wholesalers, 25¢
 - 4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
 - 5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢
- E — Agents and Brokers, Wholesale Trade (Memorandum), 10¢

Part II — Retail Statistics

- F — Retail Trade, 50¢
- G — Retail Chain Stores, 50¢
- H — Operating Results of Food Store Chains, 25¢
- I — Operating Results of Clothing Store Chains, 25¢
- J — 1 Operating Results of Variety Store Chains, 25¢
 - 2 Operating Results of Drug Store Chains, 25¢
 - 3 Operating Results of Furniture Store Chains, 25¢
- *K — Operating Results of Independent Food Stores, 25¢
- *L — Operating Results of Independent Clothing Stores, 25¢
- *M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
- *N — Operating Results of Filling Stations and Garages, 25¢
- *O — 1 Operating Results of Independent General Stores, 25¢
 - 2 Operating Results of Independent Restaurants, 25¢
 - 3 Operating Results of Independent Fuel Dealers, 25¢
 - 4 Operating Results of Independent Drug Stores, 25¢
 - 5 Operating Results of Independent Jewellery Stores, 25¢
 - 6 Operating Results of Independent Tobacco Stores, 25¢
- P — Retail Credit, 25¢

Part III — Services and Special Fields

- Q — Laundries, Cleaners and Dyers, 25¢
- R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
- S — Hotels, 25¢
- T — Sales Financing, 25¢
- U — Farm Implement and Equipment Sales, 25¢
- V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
- W — Advertising Agencies (Memorandum), 10¢
- X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1957.

DEFINITIONS

Profit and Loss

Net sales — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn for personal use are included.

Purchases — are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, and transportation costs from warehouse to stores.

Cost of goods sold — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit — the difference between "cost of goods sold" and "net sales".

Operating expenses — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages, commissions and bonuses (except delivery) — payments to employees before deduction of income tax or unemployment insurance, etc. Also included are salaries paid to executives of incorporated firms and to proprietors of unincorporated businesses.

Payments contributed by the firm — contributions made towards employees' pensions, unemployment insurance, hospitalization and other staff benefits. (Excludes employees' own contributions.)

Occupancy — the cost of maintaining and occupying a place of business and includes property taxes, insurance, heat, light and power, repairs and maintenance, depreciation, mortgage interest on owned real estate and rental expense on rented premises.

Taxes and business licences — excluding property taxes.

Insurance — premiums for insurance policies carried to protect the business, covering furniture and fixtures and inventories but excluding real estate insurance and insurance on delivery equipment.

Repairs and maintenance — costs incurred to keep fixtures and equipment operating efficiently. (Excludes capital expenditure and delivery.)

Depreciation allowances — expenditure on fixtures and equipment (except delivery).

Office and store supplies — wrapping paper, twine, store and office supplies, etc.

Advertising — displays, window dressing and sales promotion.

Travelling — all travelling expense including buying.

Communication — telephone, telegraph and postage.

Delivery — salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.), all other costs from stores to customers including amounts paid for contract delivery.

Loss on bad debts — amount written off or reserve provided for during the current year.

All other operating expenses — bank charges, legal, auditing and collection fees, etc.

Non-trading income — interest earned, net revenues from rentals, financial charges, delivery charges made to customers and bad debts recovered, revenues from investments and other non-trading activities.

Non-trading expenses — interest expense and any other expenses not pertaining to the business.

DEFINITIONS

Balance Sheet

Assets

Cash on hand or in bank — the amount of cash on hand at the end of the year.

Net accounts receivable — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — the cost value of merchandise on hand for resale not including store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary, within a reasonably short time, such as Dominion of Canada Bonds, prepaid insurance, and deferred and prepaid charges of a current nature.

Fixed assets (net) — the cost value of land, buildings, furniture, fixtures, equipment and improvements, less any reserves for depreciation.

Other assets — investments of a permanent nature not readily converted into cash and intangibles such as goodwill, organization costs, and financing expenses.

Liabilities and Net Worth

Current liabilities — obligations which must be paid in the near future (usually one year) and represent accounts and notes payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortgages payable, secured by fixed assets.

Other liabilities — Long-term loans, notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income, advances to shareholders, etc.

Net worth — for incorporated businesses, net worth is shown in two parts:

- (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares
- (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

Where unincorporated firms are included, only "total" net worth is shown.

OPERATING RESULTS OF CHAIN CLOTHING STORES

1957

INTRODUCTION

General comments regarding this sixth study of the operating results of Chain Clothing stores conducted by the Dominion Bureau of Statistics are as follows:

Scope—Chain store firms are defined as those organizations operating four or more retail outlets in the same or related lines of business under the same ownership. Controlled subsidiary companies are included but "voluntary" groups in which individual owners enjoy certain purchasing or other privileges are not. The trades covered in this report are men's, women's, family clothing and shoe stores.

Content—This report deals mainly with profit and loss statistics. Operating expenses are shown in percentage to net sales for suitable sales-size categories. A few unincorporated firms are included for which proprietors' salaries are grouped with executive salaries; income tax tabulation, however, was made only for groups where all were incorporated companies.

In this report, "occupancy expense" includes heat, light and power, taxes, insurance, mortgage interest, repairs and depreciation on owned real estate used in the business, together with rental expense on rental premises. Delivery expense generally includes salaries, insurance, licenses, repairs and maintenance, gas, oil and depreciation on owned

equipment, together with the expense of contract delivery. Some chain store firms do not provide any delivery service while others, using contract delivery, were able to report only a "net" cost for this item.

Balance sheet data were requested for the first time from retail chain store organizations from which it was intended to show certain averages and ratios. In some cases, the financial structures of the firms were so different that averages of some items would be meaningless. This variability, plus failure to supply balance sheet information in other cases, places a certain caution on the use of these data.

Purpose—The primary purpose of the operating results survey is to provide averages on the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Period Covered—This report deals mainly with 1957 business operations with summaries of principal ratios since 1947 on a biennial basis. This study is alternated each year with a similar one on independent retail stores covering the even year.

SUMMARY OF 1957 RESULTS BY TRADES

This brief summary compares some of the main profit and loss items of the four trade classifications. More detail is presented on the following pages under the respective trade titles where information is given by sales-size classes, when possible, for better comparative analysis. Because a chain store firm, by definition, operates four or more retail outlets, the absolute dollar values (average net sales, cost of goods sold, etc.) are shown for a singular purpose only. That is, these dollar values are shown to assist chain store management to place their respective firms in relation to the average in the appropriate sales-size category. This relationship to the average facilitates a more accurate profit and loss statement ratio analysis.

The gross profit for chain clothing stores ranged from 32.13 per cent of net sales for men's clothing stores to 34.38 per cent for women's clothing stores. Shoe store chains operated on the lowest ratio of expense which, coupled with their gross profit, gave them the highest percentage of operating profit (4.87 per cent). This compares with 3.53 per cent for women's clothing, 2.09 per cent for family clothing and 2.01 per cent for men's clothing store chains. The net "other income" increased the operating profit for all except shoe stores where the 4.87 per cent operating profit was reduced to a final net profit, before income tax deduction, of 4.81 per cent of net sales. The rate of stock turnover was most rapid in the women's clothing trade at 5 times per year and slowest for shoes at approximately 2.5 times per year.

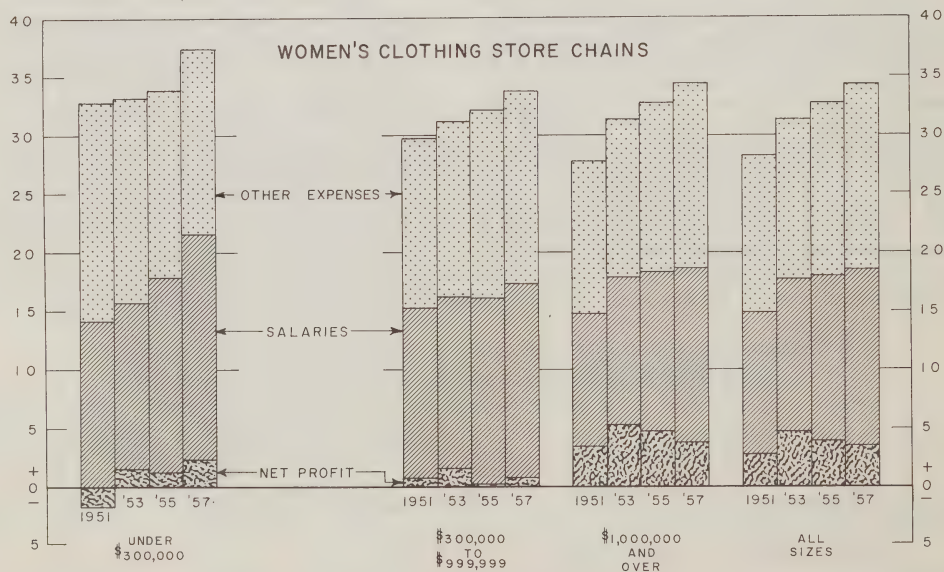
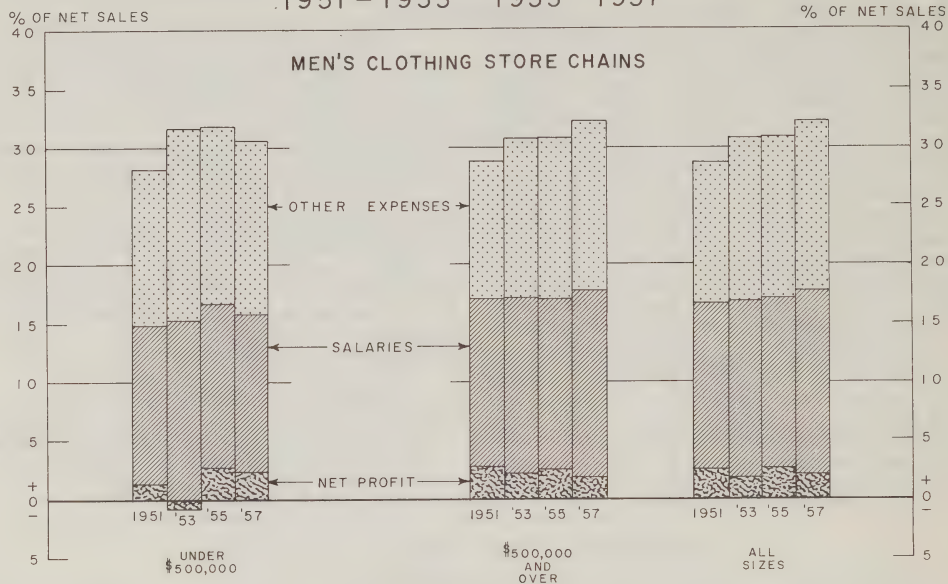
Comparison of Main Operating Results in Clothing Store Chains, 1957

| Item | Men's clothing | Women's clothing | Family clothing | Shoes |
|--|----------------|------------------|-----------------|-------------|
| Number of firms | 17 | 29 | 19 | 36 |
| Average net sales per firm | 1, 163, 537 | 2, 057, 967 | 1, 675, 190 | 1, 524, 122 |
| Rate of stock turnover (times per year) | 2. 95 | 5. 02 | 3. 14 | 2. 40 |
| Profit and loss data (per cent of net sales): | | | | |
| Gross profit | 32. 13 | 34. 38 | 32. 88 | 33. 95 |
| Operating expenses | 30. 12 | 30. 85 | 30. 79 | 29. 08 |
| Net operating profit | 2. 01 | 3. 53 | 2. 09 | 4. 87 |
| Non-trading income | 0. 65 | 1. 23 | 1. 00 | 0. 28 |
| Non-trading expense | 0. 23 | 0. 20 | 0. 42 | 0. 34 |
| Net profit before income tax deduction | 2. 43 | 4. 56 | 2. 67 | 4. 81 |

OPERATING RESULTS OF CHAIN CLOTHING STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

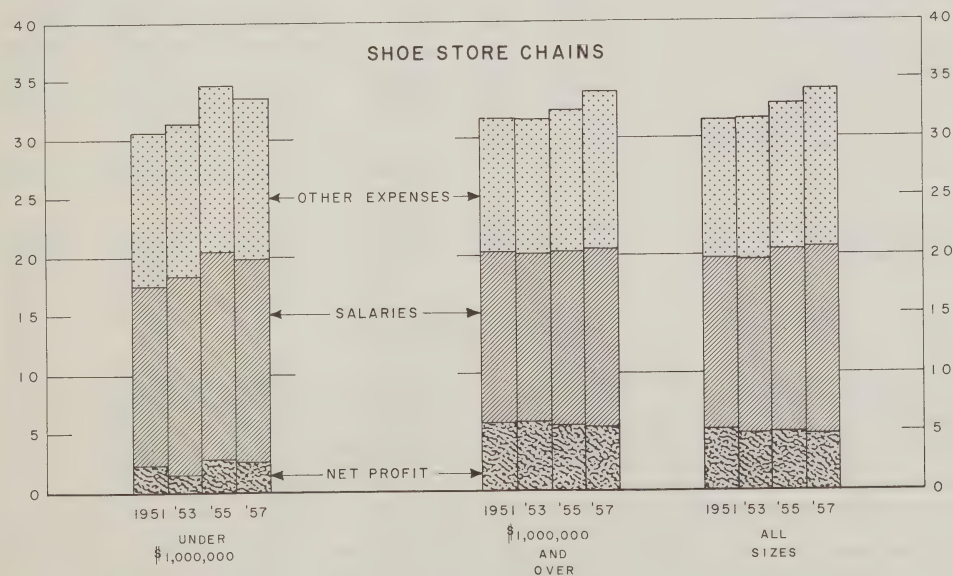
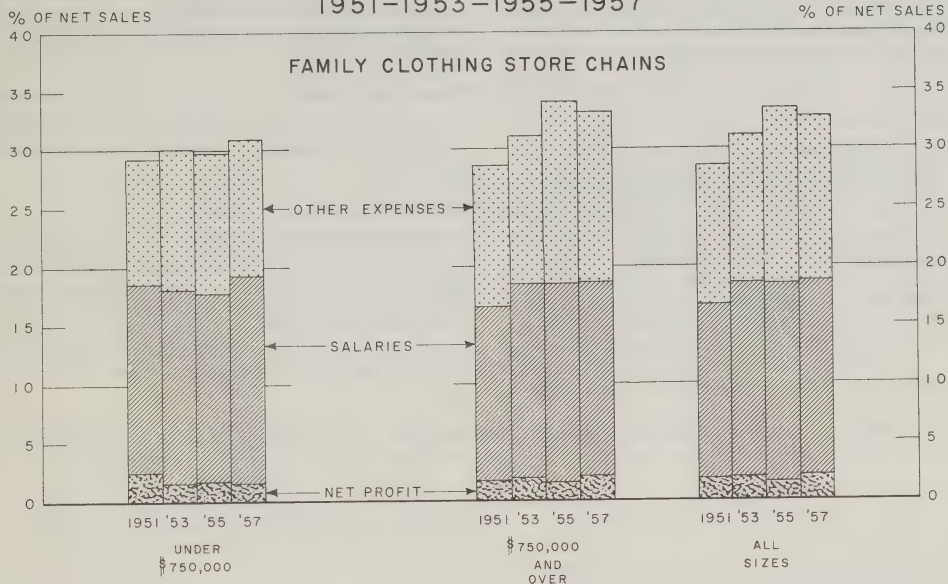
1951 - 1953 - 1955 - 1957



OPERATING RESULTS OF CHAIN CLOTHING STORES BY SIZE OF FIRM

GROSS PROFIT = NET PROFIT + SALARIES + OTHER EXPENSES

1951-1953-1955-1957



MEN'S CLOTHING STORE CHAINS

Firms included in this classification are those selling mainly men's and boys' ready-made clothing. Furnishings, such as shirts, gloves, underwear, and shoes, may also be sold but not exceeding 80 per cent of total sales. Specialized stores, such as those whose sales are principally hats, are not included. Financial data of 17 firms, operating 143 retail outlets, are included in this section of the report.

Most operating, or profit and loss items, are expressed in the standard form of percentages to net sales. For 1957, these are presented in three sales-size categories for the closest possible comparative analysis; in former years, results were broken down into two size classes. Since these financial statistics are reported on an "enterprise" basis, it is not possible to show any results by individual store sizes.

Review of 1957 Operating Results

Profit and Expense Ratios

Men's clothing store chains obtained a gross profit of 32.13 per cent of net sales in 1957. Operating expenses, totalling 30.12 per cent, reduced this gross profit to a net operating profit of 2.01 per cent. Over one half of the operating expenses were accounted for by employees' salaries and wages and benefits. Non-trading income exceeded non-trading expense to raise the net profit to 2.43 per cent of sales before income tax deduction. In Table 1, income tax and final net profit ratios are shown for the two largest sales-size categories which were entirely comprised of incorporated companies.

Income tax ratios are not comparable in the smallest sales-size class as four of the firms were unincorporated.

Inventories and Stock Turnover

Inventories of the reporting firms, expressed as percentages of net sales, showed a slight increase during the year from 22.61 per cent at the beginning to 23.33 per cent at the end of the year. The average of these two inventories, divided into the cost of goods sold, produced a stock turnover rate of 2.95 times per year, slightly faster than the 1955 rate of 2.62.

TABLE 1. Operating Results of Men's Clothing Store Chains, 1957, by Size of Firm

| Item | Firms with 1957 sales of | | | Total all sizes |
|---|--------------------------|---------------------|----------------------|-----------------|
| | Under \$500,000 | \$500,000-\$999,999 | \$1,000,000 and over | |
| Number of firms | 6 | 5 | 6 | 17 |
| Number of stores operated | 31 | 40 | 72 | 143 |
| Average net sales per firm | \$ 273,661 | 810,829 | 2,347,337 | 1,163,537 |
| Average cost of goods sold | \$ 189,671 | 559,768 | 1,581,396 | 789,720 |
| Average inventory per firm: | | | | |
| Beginning of year | \$ 102,202 | 147,121 | 520,464 | 263,035 |
| Per cent of average net sales | 37.35 | 18.14 | 22.17 | 22.61 |
| End of year | \$ 95,821 | 153,724 | 545,325 | 271,500 |
| Per cent of average net sales | 35.01 | 18.96 | 23.23 | 23.33 |
| Stock turnover (times per year) | 1.92 | 3.72 | 2.96 | 2.95 |
| Profit and loss data (per cent of net sales) | | | | |
| Gross profit | 30.69 | 30.96 | 32.63 | 32.13 |
| Operating expenses: | | | | |
| Salaries: | | | | |
| Executives | 2.96 | 3.21 | 1.85 | 2.22 |
| Other employees | 10.48 | 12.04 | 14.10 | 13.38 |
| Employees' benefits | 0.09 | 0.15 | 0.28 | 0.24 |
| Occupancy | 7.71 | 5.80 | 4.25 | 4.86 |
| Taxes, licenses ¹ | 0.66 | 0.27 | 0.51 | 0.47 |
| Insurance ¹ | 0.61 | 0.53 | 0.42 | 0.45 |
| Repairs and maintenance ¹ | 0.32 | 0.55 | 0.44 | 0.45 |
| Depreciation ¹ | 0.89 | 0.81 | 0.51 | 0.60 |
| Supplies | 0.71 | 0.56 | 0.84 | 0.77 |
| Advertising | 0.82 | 2.20 | 4.09 | 3.44 |
| Travelling | 0.33 | 0.35 | 0.33 | 0.33 |
| Communications | 0.45 | 0.27 | 0.34 | 0.33 |
| Delivery | 0.48 | 0.21 | 0.29 | 0.29 |
| Bad debt loss | 0.07 | 0.38 | 0.26 | 0.27 |
| All other expenses | 1.73 | 1.28 | 2.26 | 2.02 |
| Total operating expenses | 28.31 | 28.61 | 30.77 | 30.12 |
| Net operating profit | 2.38 | 2.35 | 1.86 | 2.01 |
| Non-trading income | 0.01 | 0.30 | 0.82 | 0.65 |
| Non-trading expense | — | 0.41 | 0.20 | 0.23 |
| Net profit before income tax deduction | 2.39 | 2.24 | 2.48 | 2.43 |
| Income tax | — | 0.46 | 1.01 | — |
| Final net profit | — | 1.78 | 1.47 | — |

¹ Excludes amount attributed to real estate which is in occupancy expense.

Comparison with Previous Years

Although identical reporting is not maintained from year to year, valid comparisons of operating ratios can be made since such ratios are all related to net sales. This does not mean, however, that a constant ratio between two or more years indicates no change in the dollar total of an expense item; it does mean that the expense item could have increased or decreased but only in the same proportion that net sales increased or decreased. Any deviation from such a relationship will be reflected in a change in the expense or profit ratio.

Gross profit of men's clothing store chains in 1957 reached the highest level of this series with a ratio of 32.13 per cent of net sales. Total operating expenses followed a similar course to establish a record of 30.12 per cent of sales. A record high in the net profit did not materialize, however, since the high operating expense more than offset the gross profit gain; net operating profit, at 2.01 per cent of net sales, was the second lowest ratio of the six surveys which cover an eleven year period.

TABLE 2. Men's Clothing Store Chains—Comparison of Main Operating Results, 1947-1957
(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 9 | 9 | 12 | 15 | 18 | 17 |
| Gross profit | 29.95 | 29.13 | 28.75 | 30.91 | 30.97 | 32.13 |
| Operating expenses: | | | | | | |
| Salaries | 12.66 | 13.60 | 14.07 | 15.13 | 14.43 | 15.60 |
| Occupancy | 3.33 | 3.92 | 3.87 | 4.89 | 5.02 | 4.86 |
| Advertising | 2.11 | 2.99 | 3.12 | 3.18 | 2.94 | 3.44 |
| All other expenses | 4.31 | 5.06 | 5.16 | 5.90 | 6.00 | 6.22 |
| Total operating expenses | 22.41 | 25.57 | 26.22 | 29.10 | 28.39 | 30.12 |
| Net operating profit | 7.54 | 3.56 | 2.53 | 1.81 | 2.58 | 2.01 |

Balance Sheet Data, 1957

Firms of similar size tend to have comparable operating experiences so that average ratios of expense to net sales have some meaning. The financial structure of firms, however, can be extremely different even while their expense ratios are identical. One firm may be a subsidiary of another in one case while, in another, a firm may own controlling interest in other companies. Such situations result in high liabilities on the one hand and large assets in long-term investments on the other or, again, an unusually large capital surplus account.

The figures shown here represent the average of the "highs" and "lows" of different items and are not therefore "typical" or "goal" averages. Nevertheless, they can be of some value in that they depict the financial status of the trade as a whole. From them, certain ratios of interest can be derived but these should not be taken as top performance. This first attempt to assemble balance sheet data on retail chain stores may well be improved in subsequent studies or, again, if the group of firms in a trade is too heterogeneous and the results of doubtful value, this part of the biennial survey could be discontinued.

TABLE 3. Financial Status of Men's Clothing Store Chains, as at December 31, 1957

| Item | Firms with annual net sales of | | | Total all sizes |
|--|--------------------------------|--------------------------|-------------------------|-----------------------|
| | Under \$500,000 | \$500,000 - \$999,999 | \$1,000,000 and over | |
| | average per firm | | | |
| Assets | | | | |
| Current assets: | | | | |
| Cash on hand and in bank | 14,863 | 33,603 | 73,695 | 41,139 |
| Accounts and notes receivable (net) | 4,084 | 35,523 | 194,616 | 80,577 |
| Merchandise inventory | 95,821 | 153,724 | 550,136 | 273,198 |
| Other current assets | 1,933 | 3,845 | 10,682 | 5,583 |
| Total current assets | 116,701 | 226,695 | 829,129 | 400,497 |
| Total fixed assets (net) | 19,180 | 37,752 | 178,830 | 80,989 |
| Other assets: | | | | |
| Long term investments | 3,350 | 8,254 | 5,218 | 5,452 |
| Other assets | 15,516 | 8,313 | 24,366 | 16,521 |
| Total other assets | 18,866 | 16,567 | 29,584 | 21,973 |
| Total assets | 154,747 | 281,014 | 1,037,543 | 503,459 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts and notes payable | 85,751 | 104,916 | 311,032 | 170,899 |
| Fixed liabilities | 5,848 | — | 28,126 | 11,990 |
| Other liabilities | 2,674 | 29,604 | 18,530 | 16,191 |
| Total liabilities | 94,273 | 134,520 | 357,688 | 199,080 |
| Net worth ¹ | | | | |
| Capital stock | — | 58,452 | 262,492 | — |
| Surplus and undivided profits | — | 88,042 | 417,363 | — |
| Total net worth | 60,474 | 146,494 | 679,855 | 304,379 |
| Total liabilities and net worth | 154,747 | 281,014 | 1,037,543 | 503,459 |
| Average net sales of firms reporting | 273,661 | 810,829 | 2,347,337 | 1,163,537 |
| Number of firms | 6 | 5 | 6 | 17 |

¹ Where unincorporated firms are included, only "Total" net worth is shown.

WOMEN'S CLOTHING STORE CHAINS

This classification includes firms selling mainly women's ready-to-wear clothing. For the purpose of presenting meaningful ratios and averages on the year's operation, specialized trades such as furriers, millinery, etc., are excluded. It was possible to place the 29 reporting firms into four sales-size categories which permits a closer comparative

analysis than in former years when only three size classes were used. Financial statistics such as shown in this report are generally available only on an "enterprise" basis; for this reason, presentation of operating results classified on an individual store sales-size basis is not possible.

Review of 1957 Operating Results

Profit and Expense Ratios

These items are shown in the standard form of percentages to net sales. Gross profit amounted to 34.38 per cent of net sales in 1957 and operating expenses to 30.85 per cent. The ratios of the operating expenses decreased as the sales-size increased to produce net profit ratios ranging from 0.10 per cent in the second smallest class to 4.23 per cent in the largest sales-size group. In total, the net operating profit ratio amounted to 3.53 per cent of sales; this was increased to 4.56 per cent by an excess of non-trading income over non-trading expense. In Table 4, income tax and final net profit

ratios are shown for the two size classes which were entirely comprised of incorporated companies. The inclusion of unincorporated firms in the two middle sales-size categories precluded the tabulation of these ratios.

Inventories and Stock Turnover

The dollar level of inventories was lower at the end of the year than at the beginning. The rate of stock turnover, obtained by dividing the average of these inventories into cost of goods sold, increased with size of firm and for all firms was 5.02 times in the year.

TABLE 4. Operating Results of Women's Clothing Store Chains, 1957, by Size of Firm

| Item | Firms with 1957 sales of | | | | Total all sizes |
|---|--------------------------|---------------------|-------------------------|----------------------|-----------------|
| | Under \$500,000 | \$500,000-\$999,999 | \$1,000,000-\$2,999,999 | \$3,000,000 and over | |
| Number of firms | 9 | 6 | 8 | 6 | 29 |
| Number of stores operated | 53 | 54 | 140 | 269 | 516 |
| Average net sales per firm | \$ 306,398 | 671,514 | 1,553,638 | 6,744,212 | 2,057,967 |
| Average cost of goods sold | \$ 197,023 | 448,803 | 1,012,322 | 4,432,588 | 1,350,349 |
| Average inventory per firm: | | | | | |
| Beginning of year | \$ 57,435 | 164,141 | 235,921 | 752,205 | 272,495 |
| Per cent of average net sales | 18.75 | 24.44 | 15.91 | 11.15 | 13.24 |
| End of year | \$ 59,703 | 159,932 | 273,856 | 669,865 | 265,757 |
| Per cent of average net sales | 19.49 | 23.82 | 17.63 | 9.93 | 12.91 |
| Stock turnover (times per year) | 3.36 | 2.77 | 3.97 | 6.23 | 5.02 |
| Profit and loss data (per cent of net sales) | | | | | |
| Gross profit | 35.70 | 33.16 | 34.84 | 34.28 | 34.38 |
| Operating expenses: | | | | | |
| Salaries: | | | | | |
| Executives | 3.78 | 2.79 | 2.35 | 1.64 | 1.96 |
| Other employees | 13.07 | 13.78 | 13.59 | 12.76 | 13.01 |
| Employees' benefits | 0.27 | 0.35 | 0.17 | 0.35 | 0.31 |
| Occupancy | 6.93 | 8.25 | 7.34 | 6.45 | 6.78 |
| Taxes, licenses ¹ | 1.54 | 0.54 | 0.46 | 0.57 | 0.59 |
| Insurance ¹ | 1.32 | 0.52 | 0.35 | 0.30 | 0.37 |
| Repairs and maintenance ¹ | 0.61 | 0.86 | 0.85 | 0.59 | 0.67 |
| Depreciation ¹ | 0.93 | 1.03 | 0.97 | 0.97 | 0.97 |
| Supplies | 0.83 | 0.90 | 0.87 | 1.67 | 1.41 |
| Advertising | 1.32 | 1.30 | 2.07 | 1.79 | 1.80 |
| Travelling | 0.70 | 0.64 | 0.39 | 0.35 | 0.39 |
| Communication | 0.44 | 0.45 | 0.31 | 0.37 | 0.37 |
| Delivery | 0.36 | 0.04 | 0.30 | 0.50 | 0.42 |
| Bad debt loss | 0.21 | 0.07 | 0.22 | 0.17 | 0.18 |
| All other expenses | 1.24 | 1.54 | 1.94 | 1.57 | 1.62 |
| Total operating expenses | 33.55 | 33.06 | 32.18 | 30.05 | 30.85 |
| Net operating profit | 2.15 | 0.10 | 2.66 | 4.23 | 3.53 |
| Non-trading income | 0.39 | 0.66 | 0.65 | 1.52 | 1.23 |
| Non-trading expense | 0.04 | 0.46 | — | 0.25 | 0.20 |
| Net profit before income tax deduction | 2.50 | 0.30 | 3.31 | 5.50 | 4.56 |
| Income tax | 0.41 | — | — | 2.17 | — |
| Final net profit | 2.09 | — | — | 3.33 | — |

¹ Excludes amount attributed to real estate which is in occupancy expense.

Comparison with Previous Years

Although identical reporting is not maintained from year to year, valid comparisons of operating ratios can be made since such ratios are all related to net sales. This does not mean, however, that a constant ratio between two or more years indicates no change in the dollar total of an expense item; it does mean that the expense item could have increased or decreased but only in the same proportion that net sales increased or decreased. Any deviation from such a relationship will be reflected in a change in the expense or profit ratio.

The ratios of both gross profit and total operating expenses reached the highest level of this series during 1957. Gross profit ratios declined from 30.18 per cent in 1947 to 28.32 per cent in 1951, then rose consistently to 34.38 per cent in 1957. Total operating expenses showed no such dip but registered a gradual and consistent increase from 24.03 per cent of net sales in 1947 to 30.85 per cent in 1957. The resulting ratio of net operating profit amounted to 3.53 per cent in 1957, the second lowest in the irregular pattern of the eleven years shown in Table 5.

TABLE 5. Women's Clothing Store Chains — Comparison of Main Operating Results, 1947-1957
(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 26 | 23 | 29 | 28 | 30 | 29 |
| Gross profit | 30.18 | 29.40 | 28.32 | 31.48 | 32.70 | 34.38 |
| Operating expenses: | | | | | | |
| Salaries | 11.59 | 12.14 | 12.16 | 12.90 | 14.07 | 14.97 |
| Occupancy | 5.10 | 5.36 | 5.38 | 5.60 | 6.42 | 6.78 |
| Advertising | 1.65 | 1.43 | 1.54 | 1.51 | 1.44 | 1.80 |
| All other expenses | 5.69 | 6.39 | 6.48 | 6.79 | 6.84 | 7.30 |
| Total operating expenses | 24.03 | 25.32 | 25.56 | 26.80 | 28.77 | 30.85 |
| Net operating profit | 6.15 | 4.08 | 2.76 | 4.68 | 3.93 | 3.53 |

Balance Sheet Data, 1957

Firms of similar size tend to have comparable operating experiences so that average ratios of expense to net sales have some meaning. The financial structure of firms, however, can be extremely different even while their expense ratios are identical. One firm may be a subsidiary of another in one case while, in another, a firm may own controlling interest in other companies. Such situations result in high liabilities on the one hand and large assets in long-term investments on the other or, again, an unusually large capital surplus account.

The figures shown here represent the average of the "highs" and "lows" of different items and are not therefore "typical" or "goal" averages. Nevertheless, they can be of some value in that they depict the financial status of the trade as a whole. From them, certain ratios of interest can be derived but these should not be taken as top performance. This first attempt to assemble balance sheet data on retail chain stores may well be improved in subsequent studies or, again, if the group of firms in a trade is too heterogeneous and the results of doubtful value, this part of the biennial survey could be discontinued.

TABLE 6. Financial Status of Incorporated Women's Clothing Store Chains, as at December 31, 1957

| Item | Firms with annual net sales of | | | | Total all sizes |
|--|--------------------------------|--------------------------|------------------------------|-------------------------|-----------------------|
| | Under \$500,000 | \$500,000 - \$999,999 | \$1,000,000 - \$2,999,999 | \$3,000,000 and over | |
| | average per firm | | | | |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash on hand and in bank | 16,780 | 32,061 | 56,349 | 147,711 | 58,964 |
| Accounts and notes receivable (net) | 2,717 | 18,102 | 87,653 | 226,486 | 77,313 |
| Merchandise inventory | 59,703 | 155,893 | 293,131 | 656,109 | 270,569 |
| Other current assets | 1,888 | 6,325 | 23,937 | 192,371 | 50,756 |
| Total current assets | 81,088 | 212,381 | 461,070 | 1,222,677 | 457,602 |
| Total fixed assets (net) | 24,949 | 89,692 | 117,018 | 877,352 | 250,231 |
| Other assets: | | | | | |
| Long term investments | — | 2,044 | 30,294 | 344,917 | 84,881 |
| Other assets | 6,493 | 17,230 | 1,896 | 20,070 | 10,306 |
| Total other assets | 6,493 | 19,274 | 32,190 | 364,987 | 95,187 |
| Total assets | 112,530 | 321,347 | 610,278 | 2,465,016 | 803,020 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts and notes payable | 38,454 | 121,499 | 233,659 | 373,450 | 178,885 |
| Fixed liabilities | 6,144 | — | — | 13,833 | 5,122 |
| Other liabilities | 10,395 | 13,750 | 44,885 | 169,590 | 55,335 |
| Total liabilities | 54,993 | 135,249 | 278,544 | 556,873 | 239,342 |
| Net worth | | | | | |
| Capital stock | 21,756 | 136,684 | 145,486 | 625,039 | 209,180 |
| Surplus and undivided profits | 35,781 | 49,414 | 186,248 | 1,283,104 | 354,498 |
| Total net worth | 57,537 | 186,098 | 331,734 | 1,908,143 | 563,678 |
| Total liabilities and net worth | 112,530 | 321,347 | 610,278 | 2,465,016 | 803,020 |
| Average net sales of firms reporting | 306,398 | 700,687 | 1,609,163 | 6,744,212 | 2,147,794 |
| Number of firms | 9 | 5 | 7 | 6 | 27 |

FAMILY CLOTHING STORE CHAINS

There were 19 firms in this classification, a combination of men's, women's and children's clothing, whose financial reports were used in the compilation of the following statistics. Operating results are shown for three sales-size groups compared with a two-way breakdown in former years.

This finer breakdown permits a more accurate comparative analysis of the results for individual firms. A separate tabulation was made for income tax and final net profit ratios covering incorporated companies. Each sales-size category included one or more unincorporated firms.

Review of 1957 Operating Results

Profit and Expense Ratios

Family clothing store chains obtained a gross profit ratio of 32.88 per cent on their 1957 operations. Total operating expenses absorbed most of this ratio with an amount equal to 30.79 per cent of net sales. The net operating profit of 2.09 per cent was slightly higher than that of 1955. The greater share of operating expenses (55 per cent) was accounted for by employees' salaries and benefits. Non-trading income exceeded non-trading expense to

enlarge net profit, before income tax deduction, to 2.67 per cent of net sales.

Inventories and Stock Turnover

Inventories on hand at the end of the year were slightly greater in ratio to sales than those held at the beginning of the year, 21.72 and 21.01 per cent respectively. The average of these two inventories divided into cost of goods sold produced a stock turnover rate of 3.14 times per year. The rate of turnover in 1955 was 2.85 times.

TABLE 7. Operating Results of Family Clothing Store Chains, 1957, by Size of Firm

| Item | Firms with 1957 sales of | | | Total all sizes |
|---|--------------------------|-------------------------|----------------------|-----------------|
| | Under \$750,000 | \$750,000 - \$1,999,999 | \$2,000,000 and over | |
| Number of firms | 7 | 7 | 5 | 19 |
| Number of stores operated | 40 | 70 | 39 | 149 |
| Average net sales per firm | \$ 446, 136 | 1, 107, 632 | 4, 190, 447 | 1, 675, 190 |
| Average cost of goods sold | \$ 307, 891 | 758, 571 | 2, 779, 742 | 1, 124, 418 |
| Average inventory per firm: | | | | |
| Beginning of year | \$ 121, 474 | 275, 135 | 782, 181 | 351, 956 |
| Per cent of average net sales | 27. 23 | 24. 84 | 18. 67 | 21. 01 |
| End of year | \$ 130, 601 | 293, 733 | 788, 785 | 363, 908 |
| Per cent of average net sales | 29. 27 | 26. 52 | 18. 82 | 21. 72 |
| Stock turnover (times per year) | 2. 44 | 2. 67 | 3. 54 | 3. 14 |
| Profit and loss data (per cent of net sales) | | | | |
| Gross profit | 30. 99 | 31. 51 | 33. 66 | 32. 88 |
| Operating expenses: | | | | |
| Salaries: | | | | |
| Executives | 4. 65 | 2. 39 | 0. 95 | 1. 66 |
| Other employees | 12. 92 | 14. 00 | 15. 55 | 14. 91 |
| Employees' benefits | 0. 19 | 0. 19 | 0. 38 | 0. 31 |
| Occupancy | 4. 67 | 4. 78 | 5. 53 | 5. 27 |
| Taxes, licenses ¹ | 0. 19 | 0. 40 | 0. 51 | 0. 45 |
| Insurance ¹ | 0. 59 | 0. 50 | 0. 60 | 0. 58 |
| Repairs and maintenance ¹ | 0. 45 | 0. 51 | 0. 52 | 0. 51 |
| Depreciation ¹ | 0. 70 | 0. 90 | 0. 95 | 0. 91 |
| Supplies | 0. 54 | 0. 91 | 0. 53 | 0. 62 |
| Advertising | 1. 56 | 2. 85 | 3. 69 | 3. 28 |
| Travelling | 0. 54 | 0. 74 | 0. 44 | 0. 52 |
| Communication | 0. 34 | 0. 36 | 0. 48 | 0. 44 |
| Delivery | 0. 14 | 0. 07 | 0. 14 | 0. 13 |
| Bad debt loss | 0. 11 | 0. 34 | 0. 18 | 0. 21 |
| All other expenses | 1. 80 | 1. 74 | 0. 59 | 0. 99 |
| Total operating expenses | 29. 39 | 30. 68 | 31. 04 | 30. 79 |
| Net operating profit | 1. 60 | 0. 83 | 2. 62 | 2. 09 |
| Non-trading income | 1. 22 | 1. 01 | 0. 96 | 1. 00 |
| Non-trading expense | 0. 28 | 0. 01 | 0. 59 | 0. 42 |
| Net profit before income tax deduction | 2. 54 | 1. 83 | 2. 99 | 2. 67 |

¹ Excludes amount attributed to real estate which is in occupancy expense.

Incorporated Companies

The ratios of the main items in Table 8 differ slightly from those of Table 7 because of the exclusion of those firms which are not incorporated. The main purpose of this separate tabulation is to show income tax deduction and final net profit as percentages of net sales. Income tax deduction for incor-

porated and unincorporated firms cannot be combined in a study such as this. For all incorporated firms, the net profit of 2.77 per cent before income tax deduction was reduced to a final profit of 1.70 per cent of net sales.

TABLE 8. Operating Results of Incorporated Family Clothing Store Chains, 1957
(Items expressed as percentages of net sales)

| Item | Firms with 1957 sales of | | | Total all sizes |
|---|--------------------------|-----------------------|----------------------|-----------------|
| | Under \$750,000 | \$750,000-\$1,999,999 | \$2,000,000 and over | |
| Gross profit | 32.26 | 32.23 | 34.85 | 34.03 |
| Total operating expenses | 30.65 | 30.55 | 32.18 | 31.68 |
| Net operating profit | 1.61 | 1.68 | 2.67 | 2.35 |
| Non-trading income | 1.36 | 0.89 | 0.76 | 0.85 |
| Non-trading expense | 0.31 | — | 0.58 | 0.43 |
| Net profit before income tax deduction | 2.66 | 2.57 | 2.85 | 2.77 |
| Income tax | 0.56 | 0.88 | 1.21 | 1.07 |
| Final net profit | 2.10 | 1.69 | 1.64 | 1.70 |

Comparison with Previous Years

Although identical reporting is not maintained from year to year, valid comparisons of operating ratios can be made since such ratios are all related to net sales. This does not mean, however, that a constant ratio between two or more years indicates no change in the dollar total of an expense item; it does mean that the expense item could have increased or decreased but only in the same proportion that net sales increased or decreased. Any deviation from such a relationship will be reflected in a change in the expense or profit ratio.

The ratio of gross profit ranged from 26.38 per cent of net sales to 33.35 per cent over the past six surveys summarized in Table 9. No consistent pattern was evident during this period other than that the last two years show the highest ratios. Total operating expenses have generally increased but on a somewhat irregular pattern from 1947 to 1957. The resulting net operating profit showed a steady decline, in ratio terms, from 5.60 per cent in 1947 to 1.71 per cent in 1955. A small gain was registered in 1957 (2.09 per cent) over the 1955 low.

TABLE 9. Family Clothing Store Chains — Comparison of Main Operating Results, 1947-1957
(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 13 | 15 | 16 | 15 | 18 | 19 |
| Gross profit | 26.38 | 30.23 | 28.78 | 31.04 | 33.35 | 32.88 |
| Operating expenses: | | | | | | |
| Salaries | 12.86 | 14.98 | 14.56 | 16.48 | 16.71 | 16.57 |
| Occupancy | 2.18 | 3.19 | 3.56 | 4.12 | 4.89 | 5.27 |
| Advertising | 1.49 | 2.86 | 3.13 | 1.81 | 3.53 | 3.28 |
| All other expenses | 4.25 | 6.55 | 5.52 | 6.63 | 6.51 | 5.67 |
| Total operating expenses | 20.78 | 27.58 | 26.77 | 29.04 | 31.64 | 30.79 |
| Net operating profit | 5.60 | 2.65 | 2.01 | 2.00 | 1.71 | 2.09 |

Balance Sheet Data, 1957

Firms of similar size tend to have comparable operating experiences so that average ratios of expense to net sales have some meaning. The financial structure of firms, however, can be extremely different even while their expense ratios are identical. One firm may be a subsidiary of another in one case while, in another, a firm may own controlling interest in other companies. Such situations result in high liabilities on the one hand and large assets in long-term investments on the other or, again, an unusually large capital surplus account.

The figures shown here represent the average of the "highs" and "lows" of different items and are not therefore "typical" or "goal" averages. Nevertheless, they can be of some value in that they depict the financial status of the trade as a whole. From them, certain ratios of interest can be derived but these should not be taken as top performance. This first attempt to assemble balance sheet data on retail chain stores may well be improved in subsequent studies or, again, if the group of firms in a trade is too heterogeneous and the results of doubtful value, this part of the biennial survey could be discontinued.

TABLE 10. Financial Status of Incorporated Family Clothing Store Chains, as at December 31, 1957

| Item | Firms with annual net sales of | | | Total all sizes |
|--|--------------------------------|----------------------------|-------------------------|-----------------------|
| | Under \$750,000 | \$750,000 - \$1,999,999 | \$2,000,000 and over | |
| | average per firm | | | |
| Assets | | | | |
| Current assets: | | | | |
| Cash on hand and in bank | 11,530 | 20,983 | 82,201 | 33,527 |
| Accounts and notes receivable (net) | 19,748 | 79,675 | 597,460 | 193,730 |
| Merchandise inventory | 139,664 | 272,893 | 832,965 | 368,954 |
| Other current assets | 6,830 | 5,101 | 54,056 | 18,847 |
| Total current assets | 177,772 | 378,652 | 1,566,682 | 615,108 |
| Total fixed assets (net) | 40,741 | 93,073 | 702,939 | 234,771 |
| Other assets: | | | | |
| Long term investments | 3,651 | 149,081 | 36,685 | 60,937 |
| Other assets | 4,219 | 56 | 85,435 | 24,489 |
| Total other assets | 7,870 | 149,137 | 122,120 | 85,426 |
| Total assets | 226,383 | 620,862 | 2,391,741 | 935,305 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts and notes payable | 76,345 | 166,369 | 504,626 | 220,562 |
| Fixed liabilities | 6,450 | 25,915 | 296,625 | 90,318 |
| Other liabilities | 15,243 | 73,700 | 274,164 | 103,774 |
| Total liabilities | 98,038 | 265,984 | 1,075,415 | 414,654 |
| Net worth | | | | |
| Capital stock | 55,429 | 76,906 | 802,791 | 261,885 |
| Surplus and undivided profits | 72,916 | 277,972 | 513,535 | 258,766 |
| Total net worth | 128,345 | 354,878 | 1,316,326 | 520,651 |
| Total liabilities and net worth | 226,383 | 620,862 | 2,391,741 | 935,305 |
| Average net sales of firms reporting | 467,208 | 1,088,799 | 4,493,809 | 1,748,165 |
| Number of firms | 6 | 5 | 4 | 15 |

SHOE STORE CHAINS

The 36 firms reporting financial data to this survey operated 715 retail stores; these firms sell a general line of footwear as their main business with some predominantly men's or women's shoes. Highly specialized firms such as those selling custom-made footwear or health appliances were excluded. It was possible to place the firms in five arbitrary sales-size categories for better comparative analysis.

Three of the five size classes include unincorporated firms; for this reason, a special tabulation was made for incorporated companies only, to show ratios of income tax and final net profit. Results are not available on an individual store size basis as the financial reporting of profit and loss and balance sheet items is made for the "enterprise" as a whole.

Review of 1957 Operating Results

Profit and Expense Ratios

Shoe store chains operated on a gross profit amounting to 33.95 per cent of net sales in 1957. Total operating expenses decreased with size of firm ranging from 33.52 per cent of sales in the smallest to 28.58 per cent in the largest sales-size class to an average of 29.08 for all firms. Net operating profit increased with size to a high of 6.35 per cent in the largest class compared with an average of 4.87 per cent for all firms. Non-trading expense exceeded non-trading income to reduce this ratio to

4.81 per cent of net sales before income tax deduction.

Inventories and Stock Turnover

Inventory at the end of the year was higher than that held at the beginning and amounted to 28.14 and 26.93 per cent of net sales respectively. The average of these two inventories, divided into cost of goods sold, was used to obtain a stock turnover rate of 2.40 times per year. The rate of turnover in 1955 was 2.33 times.

TABLE 11. Operating Results of Shoe Store Chains, 1957, by Size of Firm

| Item | Firms with 1957 sales of | | | | | Total all sizes |
|---|--------------------------|---------------------|---------------------|-------------------------|----------------------|-----------------|
| | Under \$300,000 | \$300,000-\$499,999 | \$500,000-\$999,999 | \$1,000,000-\$2,999,999 | \$3,000,000 and over | |
| Number of firms | 6 | 9 | 8 | 7 | 6 | 36 |
| Number of stores operated | 31 | 63 | 75 | 112 | 434 | 715 |
| Average net sales per firm | \$ 257,584 | 390,262 | 686,315 | 1,975,865 | 5,081,492 | 1,524,122 |
| Average cost of goods sold | \$ 168,208 | 256,135 | 462,602 | 1,340,802 | 3,306,545 | 1,006,671 |
| Average inventory per firm: | | | | | | |
| Beginning of year | \$ 104,815 | 111,789 | 223,510 | 550,924 | 1,249,316 | 410,429 |
| Per cent of average net sales | 40.69 | 28.64 | 32.57 | 27.88 | 24.59 | 26.93 |
| End of year | \$ 108,198 | 120,686 | 218,836 | 562,359 | 1,336,685 | 428,963 |
| Per cent of average net sales | 42.00 | 30.92 | 31.89 | 28.46 | 26.30 | 28.14 |
| Stock turnover (times per year) | 1.58 | 2.20 | 2.09 | 2.41 | 2.56 | 2.40 |
| Profit and loss data (per cent of net sales) | | | | | | |
| Gross profit | 34.70 | 34.37 | 32.60 | 32.14 | 34.93 | 33.95 |
| Operating expenses: | | | | | | |
| Salaries: | | | | | | |
| Executives | 2.65 | 1.79 | 2.28 | 1.30 | 1.80 | 1.74 |
| Other employees | 14.76 | 15.91 | 14.04 | 14.14 | 13.25 | 13.77 |
| Employees' benefits | 0.20 | 0.20 | 0.28 | 0.18 | 0.28 | 0.25 |
| Occupancy | 8.69 | 6.83 | 6.30 | 6.54 | 6.77 | 6.72 |
| Taxes, licenses ¹ | 1.00 | 0.75 | 0.75 | 0.40 | 0.48 | 0.52 |
| Insurance ¹ | 0.73 | 0.36 | 0.51 | 0.39 | 0.28 | 0.35 |
| Repairs and maintenance ¹ | 0.54 | 0.87 | 0.61 | 0.77 | 0.54 | 0.63 |
| Depreciation ¹ | 0.75 | 0.63 | 1.12 | 0.79 | 0.92 | 0.88 |
| Supplies | 0.42 | 0.65 | 0.49 | 0.61 | 0.46 | 0.51 |
| Advertising | 1.34 | 1.59 | 1.28 | 1.68 | 1.81 | 1.70 |
| Travelling | 0.27 | 0.47 | 0.35 | 0.36 | 0.25 | 0.30 |
| Communication | 0.37 | 0.29 | 0.25 | 0.30 | 0.28 | 0.28 |
| Delivery | 0.16 | 0.08 | 0.13 | 0.34 | — | 0.11 |
| Bad debt loss | 0.01 | 0.01 | 0.02 | 0.05 | — | 0.02 |
| All other expenses | 1.63 | 1.28 | 1.08 | 1.03 | 1.46 | 1.30 |
| Total operating expenses | 33.52 | 31.71 | 29.49 | 28.88 | 28.58 | 29.08 |
| Net operating profit | 1.18 | 2.66 | 3.11 | 3.26 | 6.35 | 4.87 |
| Non-trading income | 0.69 | 0.12 | 0.16 | 0.84 | 0.04 | 0.28 |
| Non-trading expense | 0.29 | 0.02 | 0.66 | 0.28 | 0.35 | 0.34 |
| Net profit before income tax deduction | 1.58 | 2.76 | 2.61 | 3.82 | 6.04 | 4.81 |

¹ Excludes amount attributed to real estate which is in occupancy expense.

Incorporated Companies

The ratios of the main profit and loss items are shown for incorporated companies only, in Table 12. The purpose of this tabulation is to show income tax deduction and final net profit ratios. The net

profit, before income tax deduction, amounted to 4.85 per cent of net sales; this was reduced by income tax to a final net profit of 2.60 per cent.

TABLE 12. Operating Results of Incorporated Shoe Store Chains, 1957

(Items expressed as percentages of net sales)

| Item | Firms with 1957 sales of | | | | | Total All sizes |
|---|--------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|-----------------------|
| | Under \$300,000 | \$300,000- \$499,999 | \$500,000- \$999,999 | \$1,000,000- \$2,999,999 | \$3,000,000 and over | |
| Gross profit | 35.50 | 37.58 | 32.60 | 31.52 | 34.93 | 34.07 |
| Total operating expenses | 34.61 | 35.12 | 29.49 | 28.40 | 28.58 | 29.02 |
| Net operating profit | 0.89 | 2.46 | 3.11 | 3.12 | 6.35 | 5.05 |
| Non-trading income | 0.79 | 0.18 | 0.16 | 0.43 | 0.04 | 0.16 |
| Non-trading expenses | 0.33 | 0.03 | 0.66 | 0.32 | 0.35 | 0.36 |
| Net profit before income tax deduction | 1.35 | 2.61 | 2.61 | 3.23 | 6.04 | 4.85 |
| Income tax | 0.24 | 0.80 | 0.61 | 1.55 | 2.93 | 2.25 |
| Final net profit | 1.11 | 1.81 | 2.00 | 1.68 | 3.11 | 2.60 |

Comparison with Previous Years

Although identical reporting is not maintained from year to year, valid comparisons of operating ratios can be made since such ratios are all related to net sales. This does not mean, however, that a constant ratio between two or more years indicates no change in the dollar total of an expense item; it does mean that the expense item could have increased or decreased but only in the same proportion that net sales increased or decreased. Any deviation from such a relationship will be reflected in a change in the expense or profit ratio.

Shoe store chains have shown a slight but consistent increase in gross profit since 1947 when the margin was 30.75 per cent of net sales; in 1957 this ratio had increased to 33.95 per cent. Total operating expense, however, increased in ratio at a faster rate over the 1947-1957 interval, ranging from 24.23 per cent of sales to 29.08 per cent in 1957. The resulting net operating profit for 1957 was the lowest of the series at 4.87 per cent of net sales.

TABLE 13. Shoe Store Chains - Comparison of Main Operating Results For 1947-1957

(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 22 | 23 | 29 | 30 | 35 | 36 |
| Gross profit | 30.75 | 30.78 | 31.58 | 31.60 | 32.95 | 33.95 |
| Operating expenses: | | | | | | |
| Salaries | 14.45 | 14.71 | 14.61 | 14.78 | 15.35 | 15.51 |
| Occupancy | 5.78 | 5.27 | 5.32 | 5.30 | 5.84 | 6.72 |
| Advertising | 1.18 | 1.45 | 1.55 | 1.65 | 1.72 | 1.70 |
| All other expenses | 2.82 | 4.42 | 5.00 | 4.99 | 5.07 | 5.15 |
| Total operating expenses | 24.23 | 25.85 | 26.48 | 26.72 | 27.98 | 29.08 |
| Net operating profit | 6.52 | 4.93 | 5.10 | 4.88 | 4.97 | 4.87 |

Balance Sheet Data, 1957

Firms of similar size tend to have comparable operating experiences so that average ratios of expense to net sales have some meaning. The financial structure of firms, however, can be extremely different even while their expense ratios are identical. One firm may be a subsidiary of another in one case while, in another, a firm may own controlling interest in other companies. Such situations result in high liabilities on the one hand and large assets in long-term investments on the other or, again, an unusually large capital surplus account.

The figures shown here represent the average of the "highs" and "lows" of different items and are not therefore "typical" or "goal" averages. Nevertheless, they can be of some value in that they depict the financial status of trade as a whole. From them, certain ratios of interest can be derived but these should not be taken as top performance. This first attempt to assemble balance sheet data on retail chain stores may well be improved in subsequent studies or, again, if the group of firms in a trade is too heterogeneous and the results of doubtful value, this part of the biennial survey could be discontinued.

TABLE 14. Financial Status of Shoe Store, Chains as at December 31, 1957.

| Item | Firms with annual net sales of | | | | | Total all sizes |
|--|--------------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|-----------------------|
| | Under \$300,000 | \$300,000- \$499,999 | \$500,000- \$999,999 | \$1,000,000- \$2,999,999 | \$3,000,000 and over | |
| | average per firm | | | | | |
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash on hand and in bank | 3,630 | 9,579 | 14,617 | 90,125 | 107,411 | 37,781 |
| Accounts and notes receivable (net) | 1,388 | 1,315 | 11,850 | 30,403 | 5,332 | 9,133 |
| Merchandise inventory | 110,528 | 120,686 | 218,334 | 673,791 | 1,378,709 | 426,499 |
| Other current assets | 488 | 5,545 | 4,114 | 10,954 | 8,873 | 5,762 |
| Total current assets | 116,034 | 137,125 | 248,915 | 805,273 | 1,500,325 | 479,175 |
| Total fixed assets (net) | 12,371 | 14,314 | 111,609 | 392,927 | 334,489 | 147,520 |
| Other assets: | | | | | | |
| Long term investments | 1,179 | 27,338 | 19,333 | 122,097 | 283,093 | 76,017 |
| Other assets | 18,054 | 9,069 | 105 | 28,989 | 38,174 | 15,892 |
| Total other assets | 19,233 | 36,407 | 19,438 | 151,086 | 321,267 | 91,909 |
| Total assets | 147,638 | 187,846 | 379,962 | 1,349,286 | 2,156,081 | 718,604 |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts and notes payable | 75,185 | 60,147 | 102,886 | 391,619 | 796,842 | 240,083 |
| Fixed liabilities | — | 1,706 | 21,028 | 31,560 | 100,000 | 26,293 |
| Other liabilities | 12,577 | 30,373 | 98,092 | 536,995 | 35,348 | 124,459 |
| Total liabilities | 87,762 | 92,226 | 222,006 | 960,174 | 932,190 | 390,835 |
| Net worth ¹ | | | | | | |
| Capital stock | 34,670 | — | 60,314 | 146,801 | 356,769 | — |
| Surplus and undivided profits | 25,206 | — | 97,642 | 242,311 | 867,122 | — |
| Total net worth | 59,876 | 95,620 | 157,956 | 389,112 | 1,223,891 | 327,769 |
| Total liabilities and net worth | 147,638 | 187,846 | 379,962 | 1,349,286 | 2,156,081 | 718,604 |
| Average net sales of firms reporting | 267,953 | 390,262 | 686,315 | 1,992,362 | 4,901,127 | 1,400,315 |
| Number of firms | 5 | 9 | 8 | 5 | 5 | 32 |

¹ Where unincorporated firms are included, only "Total" net worth is shown.

CATALOGUE No.

63-401

BIENNIAL

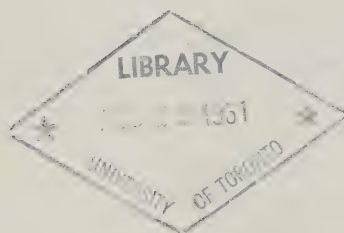
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CANADA

OPERATING RESULTS OF CHAIN CLOTHING STORES

1959



Published by Authority of
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PUBLICATIONS RELATING TO RETAIL TRADE

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| 63-414 | Operating Results and Financial Structure of Independent Restaurants..... | .50 |
| 63-415 | Operating Results and Financial Structure of Independent Tobacco Stores..... | .50 |

Other occasional reports and 1951 Census reports on retail trade are shown in a complete list of publications of the Dominion Bureau of Statistics which is available on request from the Information Services Division, D.B.S., or from the Queen's Printer, Ottawa.

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OPERATING RESULTS OF CHAIN CLOTHING STORES

1959

INTRODUCTION

Retail chain store firms are defined as those organizations operating four or more retail outlets in the same or related lines of business under the same ownership. Controlled subsidiary companies are included but "voluntary" or "sponsored" groups in which the stores are individually owned are not.

This report deals with profit and loss statistics, presented mainly in the form of percentages to net sales. Results are shown for sales-size groups similar to the 1957 study. Balance sheet data, first collected for 1957, have not been retained in this series. The financial structure of firms in this chain store survey is so widely different that averages have little meaning.

The primary purpose of the operating results survey is to provide averages or ratios on the different phases of business operation against which firms in the same trade may make direct comparisons with their own results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Note: Definitions will be found on the last page of this report.

Summary of 1959 Results by Trades

Comparison of the four clothing trades shows the highest ratio of gross and net profit in shoe store chains. The rate of stock turnover was more

rapid in the women's clothing group while men's clothing chains had the highest ratio of total operating expenses.

TABLE 1. Comparison of Main Operating Results in Clothing Store Chains, 1959

| Item | Men's clothing | Women's clothing | Family clothing | Shoes |
|--|----------------|------------------|-----------------|------------|
| Number of firms | 23 | 34 | 21 | 37 |
| Average net sales per firm \$ | 1, 200,897 | 2, 161,502 | 2, 103,993 | 1, 822,218 |
| Rate of stock turnover (times per year) | 2.79 | 5.08 | 3.32 | 2.46 |
| Profit and loss data (per cent of net sales) | | | | |
| Gross profit | 35.65 | 34.61 | 32.58 | 35.94 |
| Operating expenses | 33.92 | 31.58 | 29.27 | 30.19 |
| Net operating profit | 1.73 | 3.03 | 3.31 | 5.75 |
| Non-trading income | 1.02 | 1.78 | 0.96 | 0.22 |
| Non-trading expense | 0.16 | 0.65 | 0.64 | 0.53 |
| Net profit before income tax deduction | 2.59 | 4.16 | 3.63 | 5.44 |

MEN'S CLOTHING STORE CHAINS

Firms included in this classification are those selling mainly men's and boys' ready-made clothing. Furnishings, such as shirts, gloves, underwear, and shoes, may also be sold but not exceeding 80 per cent of total sales. Specialized stores, such as those whose sales are principally hats, are not included.

The main operating results for all reporting firms are shown in Table 2. Not all of the firms were incorporated; a tabulation of the incorporated firms with corporation income tax and final net profit shown appears in Table 4.

TABLE 2. Operating Results of Men's Clothing Store Chains, 1959, by Size of Firm

| Item | Firms with 1959 sales of | | | Total all sizes |
|---------------------------------------|--------------------------|-------------------|----------------------|-----------------|
| | Under \$500,000 | \$500,000-999,999 | \$1,000,000 and over | |
| Number of firms | 11 | 6 | 6 | 23 |
| Number of stores operated | 53 | 44 | 121 | 218 |
| Average net sales per firm \$ | 295,444 | 801,684 | 3,260,107 | 1,200,897 |
| Average cost of goods sold \$ | 196,875 | 530,246 | 2,071,358 | 772,837 |
| Average inventory per firm: | | | | |
| Beginning of year \$ | 85,911 | 171,382 | 619,922 | 247,515 |
| Per cent of average net sales | 29.08 | 21.38 | 19.02 | 20.61 |
| End of year \$ | 111,253 | 200,425 | 772,548 | 307,027 |
| Per cent of average net sales | 37.66 | 25.00 | 23.70 | 25.57 |
| Stock turnover (times per year) | 2.00 | 2.85 | 2.98 | 2.79 |

TABLE 2. Operating Results of Men's Clothing Store Chains, 1959, by Size of Firm — Concluded

| Item | Firms with 1959 sales of | | | Total all sizes |
|--|--------------------------|-----------------------|-------------------------|-----------------------|
| | Under \$500,000 | \$500,000- 999,999 | \$1,000,000 and over | |
| Profit and loss data (per cent of net sales) | | | | |
| Gross profit | 33.36 | 33.86 | 36.46 | 35.65 |
| Operating expenses: | | | | |
| Salaries: | | | | |
| Executives | 3.65 | 3.43 | 1.76 | 2.27 |
| Other employees | 11.36 | 12.92 | 13.98 | 13.49 |
| Employees' benefits | 0.17 | 0.25 | 0.38 | 0.33 |
| Occupancy | 6.33 | 5.96 | 5.75 | 5.86 |
| Taxes ¹ and licenses | 0.59 | 0.41 | 0.34 | 0.38 |
| Insurance ¹ | 0.57 | 0.56 | 0.32 | 0.39 |
| Repairs and maintenance ¹ | 0.32 | 0.46 | 0.46 | 0.44 |
| Depreciation ¹ | 0.98 | 1.05 | 0.85 | 0.90 |
| Supplies | 0.66 | 0.69 | 1.21 | 1.06 |
| Advertising | 2.25 | 2.72 | 5.01 | 4.29 |
| Travelling | 0.23 | 0.35 | 0.31 | 0.31 |
| Communications | 0.49 | 0.38 | 0.33 | 0.36 |
| Delivery | 0.59 | 1.07 | 0.72 | 0.77 |
| Bad debt loss | 0.38 | 0.19 | 0.35 | 0.32 |
| All other expenses | 3.16 | 1.82 | 2.92 | 2.75 |
| Total operating expenses | 31.73 | 32.26 | 34.69 | 33.92 |
| Net operating profit | 1.63 | 1.60 | 1.77 | 1.73 |
| Non-trading income | 0.68 | 0.83 | 1.12 | 1.02 |
| Non-trading expense | — | 0.02 | 0.21 | 0.16 |
| Net profit before income tax deduction | 2.31 | 2.41 | 2.68 | 2.59 |

¹ Excludes amount attributed to real estate which is in occupancy expense.**TABLE 3. Men's Clothing Store Chains — Comparison of Main Operating Results, 1947–59**
(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 | 1959 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 9 | 9 | 12 | 15 | 18 | 17 | 23 |
| Gross profit | 29.95 | 29.13 | 28.75 | 30.91 | 30.97 | 32.13 | 35.65 |
| Operating expenses: | | | | | | | |
| Salaries | 12.66 | 13.60 | 14.07 | 15.76 | 14.43 | 15.60 | 15.87 |
| Occupancy | 3.33 | 3.92 | 3.87 | 4.89 | 5.02 | 4.86 | 5.86 |
| Advertising | 2.11 | 2.99 | 3.12 | 3.18 | 2.94 | 3.44 | 4.29 |
| All other expenses | 4.31 | 5.06 | 5.16 | 3.01 | 6.00 | 6.22 | 7.90 |
| Total operating expenses | 22.41 | 25.57 | 26.22 | 29.10 | 28.39 | 30.12 | 33.92 |
| Net operating profit | 7.54 | 3.56 | 2.53 | 1.81 | 2.58 | 2.01 | 1.73 |

TABLE 4. Operating Results of Incorporated Men's Clothing Store Chains, 1959
(Items expressed as percentages of net sales)

| Item | Firms with 1959 sales of | | | Total all sizes |
|---|--------------------------|-----------------------|-------------------------|-----------------------|
| | Under \$500,000 | \$500,000- 999,999 | \$1,000,000 and over | |
| Gross Profit | 32.91 | 33.74 | 36.46 | 35.71 |
| Total operating expenses | 31.79 | 31.44 | 34.69 | 33.92 |
| Net operating profit | 1.12 | 2.30 | 1.77 | 1.79 |
| Non-trading income | 0.80 | 0.56 | 1.12 | 1.00 |
| Non-trading expense | — | 0.03 | 0.21 | 0.16 |
| Net Profit before income tax deduction | 1.92 | 2.83 | 2.68 | 2.63 |
| Income tax | 0.44 | 0.66 | 0.85 | 0.78 |
| Final net profit | 1.48 | 2.17 | 1.83 | 1.85 |

WOMEN'S CLOTHING STORE CHAINS

This classification includes firms selling mainly women's ready-to-wear clothing. For the purpose of

presenting meaningful ratios and averages on the year's operation, specialized trades such as furriers, millinery, etc., are excluded.

TABLE 5. Operating Results of Women's Clothing Store Chains, 1959, by Size of Firm

| Item | Firms with 1959 sales of | | | | Total all sizes |
|--|--------------------------|---------------------|-------------------------|----------------------|-----------------|
| | Under \$500,000 | \$500,000 - 999,999 | \$1,000,000 - 2,999,999 | \$3,000,000 and over | |
| Number of firms | 9 | 9 | 10 | 6 | 34 |
| Number of stores operated | 64 | 77 | 159 | 341 | 641 |
| Average net sales per firm \$ | 366,290 | 710,001 | 1,650,828 | 7,882,697 | 2,161,502 |
| Average cost of goods sold \$ | 229,906 | 448,346 | 1,075,857 | 5,199,128 | 1,413,459 |
| Average inventory per firm: | | | | | |
| Beginning of year \$ | 78,773 | 126,959 | 253,834 | 797,572 | 269,863 |
| Per cent of average net sales | 21.51 | 17.88 | 15.38 | 10.12 | 12.48 |
| End of year \$ | 81,114 | 137,928 | 264,512 | 853,841 | 286,457 |
| Per cent of average net sales | 22.14 | 19.43 | 16.02 | 10.83 | 13.25 |
| Stock turnover (times per year) | 2.88 | 3.39 | 4.15 | 6.30 | 5.08 |
| Profit and loss data (per cent of net sales) | | | | | |
| Gross profit | 37.23 | 36.85 | 34.83 | 34.04 | 34.61 |
| Operating expenses: | | | | | |
| Salaries: | | | | | |
| Executives | 3.64 | 3.98 | 1.45 | 1.04 | 1.50 |
| Other employees | 14.23 | 14.13 | 16.24 | 12.59 | 13.61 |
| Employees' benefits | 0.27 | 0.28 | 0.27 | 0.22 | 0.24 |
| Occupancy | 9.32 | 7.01 | 6.84 | 7.41 | 7.33 |
| Taxes ¹ and licenses | 1.08 | 0.70 | 0.74 | 0.29 | 0.46 |
| Insurance ¹ | 0.87 | 0.53 | 0.54 | 0.21 | 0.34 |
| Repairs and maintenance ¹ | 0.61 | 0.33 | 0.54 | 0.59 | 0.56 |
| Depreciation ¹ | 0.75 | 1.36 | 0.95 | 1.04 | 1.04 |
| Supplies | 0.59 | 0.88 | 1.45 | 2.19 | 1.84 |
| Advertising | 1.33 | 2.61 | 3.18 | 1.91 | 2.23 |
| Travelling | 0.48 | 0.59 | 0.40 | 0.52 | 0.50 |
| Communication | 0.46 | 0.47 | 0.50 | 0.30 | 0.37 |
| Delivery | 0.38 | 0.26 | 0.39 | 0.44 | 0.41 |
| Bad debt loss | 0.05 | 0.13 | 0.20 | 0.07 | 0.11 |
| All other expenses | 1.89 | 2.53 | 1.27 | 0.70 | 1.04 |
| Total operating expenses | 35.95 | 35.79 | 34.96 | 29.52 | 31.58 |
| Net operating profit | 1.28 | 1.06 | 0.13 ² | 4.52 | 3.03 |
| Non-trading income | 0.55 | 4.91 | 0.61 | 1.85 | 1.78 |
| Non-trading expense | 0.09 | 5.02 | 0.55 | 0.13 | 0.65 |
| Net profit before income tax deduction | 1.74 | 0.95 | 0.07 ² | 6.24 | 4.16 |
| Income tax | 0.50 | ³ | 0.33 | 2.90 | ³ |
| Final net profit | 1.24 | ³ | 0.40 ² | 3.34 | ³ |

¹ Excludes amount attributed to real estate which is in occupancy expense.

² Net operating loss.

³ Not available due to the inclusion of unincorporated firms.

TABLE 6. Women's Clothing Store Chains—Comparison of Main Operating Results, 1947-59

(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 | 1959 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 26 | 23 | 29 | 28 | 30 | 29 | 34 |
| Gross profit | 30.18 | 29.40 | 28.32 | 31.48 | 32.70 | 34.38 | 34.61 |
| Operating expenses: | | | | | | | |
| Salaries | 11.59 | 12.14 | 12.16 | 12.90 | 14.07 | 14.97 | 15.11 |
| Occupancy | 5.10 | 5.36 | 5.38 | 5.60 | 6.42 | 6.78 | 7.33 |
| Advertising | 1.65 | 1.43 | 1.54 | 1.51 | 1.44 | 1.80 | 2.23 |
| All other expenses | 5.69 | 6.39 | 6.48 | 6.79 | 6.84 | 7.30 | 6.91 |
| Total operating expenses | 24.03 | 25.32 | 25.56 | 26.80 | 28.77 | 30.85 | 31.58 |
| Net operating profit | 6.15 | 4.08 | 2.76 | 4.68 | 3.93 | 3.53 | 3.03 |

FAMILY CLOTHING STORE CHAINS

There were 19 firms in this classification, a combination of men's, women's and children's clothing, whose financial reports were used in the compilation of the following statistics. Operating results are shown for three sales-size groups. This

finer breakdown permits a more accurate comparative analysis of the results for individual firms. A separate tabulation was made for income tax and final net profit ratios covering incorporated companies.

TABLE 7. Operating Results of Family Clothing Store Chains, 1959, by Size of Firm

| Item | Firms with 1959 sales of | | | Total all sizes |
|--|--------------------------|-----------------------|----------------------|-----------------|
| | Under \$750,000 | \$750,000 - 1,999,999 | \$2,000,000 and over | |
| Number of firms | 7 | 7 | 7 | 21 |
| Number of stores operated | 40 | 66 | 81 | 187 |
| Average net sales per firm | \$ 438,437 | 1,251,241 | 4,622,302 | 2,103,993 |
| Average cost of goods sold | \$ 286,186 | 848,026 | 3,121,536 | 1,418,583 |
| Average inventory per firm: | | | | |
| Beginning of year | \$ 128,550 | 331,324 | 754,607 | 404,827 |
| Per cent of average net sales | 29.32 | 26.48 | 16.33 | 19.24 |
| End of year | \$ 124,557 | 364,657 | 862,277 | 450,497 |
| Per cent of average net sales | 28.41 | 29.14 | 18.65 | 21.41 |
| Stock turnover (times per year) | 2.26 | 2.44 | 3.86 | 3.32 |
| Profit and loss data (per cent of net sales) | | | | |
| Gross profit | 34.73 | 32.23 | 32.47 | 32.58 |
| Operating expenses: | | | | |
| Salaries: | | | | |
| Executives | 4.69 | 2.49 | 1.17 | 1.68 |
| Other employees | 13.47 | 13.82 | 13.66 | 13.68 |
| Employees' benefits | 0.22 | 0.24 | 0.29 | 0.27 |
| Occupancy ¹ | 6.30 | 4.09 | 4.38 | 4.45 |
| Taxes ¹ and licenses | 0.25 | 0.52 | 0.40 | 0.41 |
| Insurance ¹ | 0.69 | 0.47 | 0.32 | 0.38 |
| Repairs and maintenance ¹ | 0.45 | 0.40 | 0.41 | 0.41 |
| Depreciation ¹ | 0.53 | 0.81 | 0.83 | 0.81 |
| Supplies | 0.98 | 0.75 | 1.01 | 0.96 |
| Advertising | 2.36 | 2.42 | 3.37 | 3.11 |
| Travelling | 0.67 | 0.69 | 0.49 | 0.55 |
| Communication | 0.63 | 0.32 | 0.38 | 0.39 |
| Delivery | 0.63 | 0.11 | 0.47 | 0.41 |
| Bad debt loss | 0.11 | 0.22 | 0.31 | 0.28 |
| All other expenses | 2.01 | 1.24 | 1.50 | 1.48 |
| Total operating expenses | 33.99 | 28.59 | 28.99 | 29.27 |
| Net operating profit | 0.74 | 3.64 | 3.48 | 3.31 |
| Non-trading income | 1.61 | 0.87 | 0.93 | 0.96 |
| Non-trading expense | 0.16 | 1.20 | 0.54 | 0.64 |
| Net profit before income tax deduction | 2.19 | 3.31 | 3.87 | 3.63 |

¹ Excludes amount attributed to real estate which is in occupancy expense.

TABLE 8. Operating Results of Incorporated Family Clothing Store Chains, 1959

(Items expressed as percentages of net sales)

| Item | Firms with 1959 sales of | | | Total all sizes |
|---|--------------------------|---------------------|----------------------|-----------------|
| | Under \$750,000 | \$750,000-1,999,999 | \$2,000,000 and over | |
| Gross profit | 33.30 | 32.23 | 33.45 | 33.17 |
| Total operating expenses | 30.70 | 28.60 | 29.10 | 29.09 |
| Net operating profit | 2.60 | 3.63 | 4.35 | 4.08 |
| Non-trading income | 1.52 | 0.87 | 0.65 | 0.75 |
| Non-trading expense | 0.20 | 1.20 | 0.56 | 0.68 |
| Net profit before income tax deduction | 3.92 | 3.30 | 4.44 | 4.15 |
| Income tax | 0.76 | 1.06 | 2.14 | 1.81 |
| Final net profit | 3.16 | 2.24 | 2.30 | 2.34 |

TABLE 9. Family Clothing Store Chains—Comparison of Main Operating Results, 1947-59

(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 | 1959 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 13 | 15 | 16 | 15 | 18 | 19 | 21 |
| Gross profit | 26.38 | 30.23 | 28.78 | 31.04 | 33.35 | 32.88 | 32.58 |
| Operating expenses: | | | | | | | |
| Salaries | 12.86 | 14.98 | 14.56 | 16.48 | 16.71 | 16.57 | 15.36 |
| Occupancy | 2.18 | 3.19 | 3.56 | 4.12 | 4.89 | 5.27 | 4.45 |
| Advertising | 1.49 | 2.86 | 3.13 | 1.81 | 3.53 | 3.28 | 3.11 |
| All other expenses | 4.25 | 6.55 | 5.52 | 6.63 | 6.51 | 5.67 | 6.35 |
| Total operating expenses | 20.78 | 27.58 | 26.77 | 29.04 | 31.64 | 30.79 | 29.27 |
| Net operating profit | 5.60 | 2.65 | 2.01 | 2.00 | 1.71 | 2.09 | 3.31 |

SHOE STORE CHAINS

The 36 firms reporting financial data to this survey operated 715 retail stores; these firms sell a general line of footwear as their main business with some predominantly men's or women's shoes. Highly specialized firms such as those selling custom-made footwear or health appliances were excluded. It was possible to place the firms in five

arbitrary sales-size categories for better comparative analysis.

Four of the five size classes include unincorporated firms; for this reason, a special tabulation was made for incorporated companies only, to show ratios of income tax and final net profit.

TABLE 10. Operating Results of Shoe Store Chains, 1959, by Size of Firm

| Item | Firms with 1959 sales of | | | | | Total all sizes |
|--|--------------------------|-------------------|-------------------|-----------------------|----------------------|-----------------|
| | Under \$300,000 | \$300,000-499,999 | \$500,000-999,999 | \$1,000,000-2,999,999 | \$3,000,000 and over | |
| Number of firms | 3 | 9 | 12 | 5 | 8 | 37 |
| Number of stores operated | 14 | 54 | 91 | 72 | 573 | 804 |
| Average net sales per firm \$ | 235,919 | 407,401 | 657,225 | 1,894,851 | 5,710,843 | 1,822,218 |
| Average cost of goods sold \$ | 145,206 | 262,644 | 414,745 | 1,233,026 | 3,656,287 | 1,167,346 |
| Average inventory per firm: | | | | | | |
| Beginning of year \$ | 80,337 | 136,737 | 152,808 | 549,020 | 1,296,246 | 443,795 |
| Per cent of average net sales | 34.05 | 33.56 | 23.25 | 28.97 | 22.70 | 24.35 |
| End of year \$ | 86,013 | 165,224 | 175,998 | 538,767 | 1,515,613 | 504,750 |
| Per cent of average net sales | 36.46 | 40.56 | 26.78 | 28.43 | 26.54 | 27.70 |
| Stock turnover (times per year) | 1.75 | 1.74 | 2.52 | 2.27 | 2.60 | 2.46 |
| Profit and loss data (per cent of net sales) | | | | | | |
| Gross profit | 38.45 | 35.53 | 36.89 | 34.93 | 35.98 | 35.94 |
| Operating expenses: | | | | | | |
| Salaries: | | | | | | |
| Executives | 3.16 | 2.78 | 2.90 | 2.42 | 2.20 | 2.36 |
| Other employees | 16.23 | 15.93 | 15.24 | 14.04 | 12.76 | 13.44 |
| Employees' benefits | 0.17 | 0.32 | 0.41 | 0.53 | 0.29 | 0.34 |
| Occupancy | 6.33 | 7.55 | 7.09 | 6.79 | 7.21 | 7.14 |
| Taxes ¹ and licenses | 1.25 | 0.54 | 0.52 | 0.56 | 0.61 | 0.60 |
| Insurance ¹ | 1.12 | 0.48 | 0.41 | 0.51 | 0.33 | 0.39 |
| Repairs and maintenance ¹ | 0.88 | 0.47 | 0.30 | 0.77 | 0.47 | 0.49 |
| Depreciation ¹ | 0.32 | 0.93 | 1.03 | 1.23 | 0.96 | 1.00 |
| Supplies | 1.09 | 1.07 | 0.60 | 0.68 | 0.45 | 0.54 |
| Advertising | 1.11 | 1.80 | 1.79 | 2.08 | 1.52 | 1.64 |
| Travelling | 0.43 | 0.59 | 0.66 | 0.50 | 0.25 | 0.35 |
| Communication | 0.29 | 0.46 | 0.28 | 0.49 | 0.28 | 0.32 |
| Delivery | 0.36 | 0.29 | 0.80 | 0.46 | 0.16 | 0.28 |
| Bad debt loss | — | 0.02 | 0.09 | 0.05 | — | 0.02 |
| All other expenses | 1.15 | 1.77 | 1.19 | 1.22 | 1.28 | 1.28 |
| Total operating expenses | 33.89 | 35.00 | 33.31 | 32.33 | 28.77 | 30.19 |
| Net operating profit | 4.56 | 0.53 | 3.58 | 2.60 | 7.21 | 5.75 |
| Non-trading income | 0.01 | 0.28 | 0.41 | 0.90 | 0.05 | 0.22 |
| Non-trading expense | — | 0.23 | 0.09 | 1.24 | 0.50 | 0.53 |
| Net profit before income tax deduction | 4.57 | 0.58 | 3.90 | 2.26 | 6.76 | 5.44 |

¹ Excludes amount attributed to real estate which is in occupancy expense.TABLE 11. Operating Results of Incorporated Shoe Store Chains, 1959
(Items expressed as percentages of net sales)

| Item | Firms with 1959 sales of | | | | Total all sizes |
|---|--------------------------|-------------------|-----------------------|----------------------|-----------------|
| | \$300,000-499,999 | \$500,000-999,999 | \$1,000,000-2,999,999 | \$3,000,000 and over | |
| Gross profit | 35.97 | 37.54 | 34.93 | 36.60 | 36.47 |
| Total operating expenses | 36.25 | 33.84 | 32.33 | 29.27 | 30.64 |
| Net operating profit | 0.28 ¹ | 3.70 | 2.60 | 7.33 | 5.83 |
| Non-trading income | 0.36 | 0.47 | 0.90 | 0.05 | 0.24 |
| Non-trading expenses | 0.29 | 0.06 | 1.24 | 0.54 | 0.58 |
| Net profit before income tax deduction | 0.21¹ | 4.11 | 2.26 | 6.84 | 5.49 |
| Income tax | 0.73 | 0.75 | 0.45 | 3.58 | 2.63 |
| Final net profit | 0.94¹ | 3.36 | 1.81 | 3.26 | 2.86 |

¹ Net operating loss.

TABLE 12. Shoe Store Chains—Comparison of Main Operating Results for 1947-59
(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 | 1959 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 22 | 23 | 29 | 30 | 35 | 36 | 37 |
| Gross profit | 30.75 | 30.78 | 31.58 | 31.60 | 32.95 | 33.95 | 35.94 |
| Operating expenses: | | | | | | | |
| Salaries | 14.45 | 14.71 | 14.61 | 14.78 | 15.35 | 15.51 | 15.80 |
| Occupancy | 5.78 | 5.27 | 5.32 | 5.30 | 5.84 | 6.72 | 7.14 |
| Advertising | 1.18 | 1.45 | 1.55 | 1.65 | 1.72 | 1.70 | 1.64 |
| All other expenses | 2.82 | 4.42 | 5.00 | 4.99 | 5.07 | 5.15 | 5.61 |
| Total operating expenses | 24.23 | 25.85 | 26.48 | 26.72 | 27.98 | 29.08 | 30.19 |
| Net operating profit | 6.52 | 4.93 | 5.10 | 4.88 | 4.97 | 4.87 | 5.75 |

DEFINITIONS

PROFIT AND LOSS

Items

Net sales — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases — are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses; duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit — the difference between "cost of goods sold" and "net sales".

Operating expenses — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) — payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

Taxes — business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance — annual proportion of premiums for insurance policies carried to protect the business.

Rent — payments for use of business premises.

Heat, light and power — cost applicable to year's operations.

Repairs and maintenance — costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Store supplies — wrapping paper, office supplies, etc.

Advertising — displays, window dressing and sales promotion.

Net bad debt loss — estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses — telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit — is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy — the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income — interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense — interest expense, rental expense, any other expenses not pertaining to the business.

Ratios

Stock turnover — the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross profit ratio — sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating expense ratios — each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net operating profit ratio — the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

63-401

TRIENNIAL



CLOTHING CHAIN STORES
OPERATING RESULTS
1964

The last issue of this report, formerly known as Operating Results of Chain Clothing Stores, was for 1959. Previously Biennial, it is now Triennial.

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CLOTHING CHAIN STORES

OPERATING RESULTS

1964

INTRODUCTION

A retail chain is an organization operating four or more retail stores in the same kind of business under the same legal ownership.

This report deals with profit and loss statistics, presented mainly in the form of percentages of net sales. Results are shown for sales-size groups in some instances. Balance sheet data are not presented.

The primary purpose of the operating results survey is to provide averages or ratios on the different phases of business operation against which firms in the same trade may make direct comparisons with their own results. They also provide useful information to others interested in the cost of distribution of consumer goods.

SUMMARY OF RESULTS BY TRADES

The 1964 survey covers seven kinds of stores in the clothing and piece goods line. Chain stores have in the order of 20-30 per cent of the business of Men's and Boys', Women's and Family Clothing Stores in Canada, 15 per cent of the business of Children's and Infants' Wear Stores, 50 per cent of the business of Shoe Stores and 10 per cent or slightly less of the business of Furriers and Fur

Stores and Piece Goods Stores. Gross profit ranged from 33.08 per cent of net sales in the case of Children's and Infants' Wear Chain Stores to 40.76 per cent for Furriers and Fur Chain Stores. Net profit before income tax deduction varied from 1.11 per cent for Furriers and Fur Chain Stores to 4.70 per cent in the case of Women's Ready-to-wear Chain Stores.

TABLE 1. Comparison of Main Operating Results of Clothing Chain Stores, 1964

| Item | Children's and infants' wear | Family clothing and furnishings | Furriers and fur | Men's and boys' clothing | Piece goods | Shoe | Women's ready-to- wear |
|--|---------------------------------------|--|---------------------|--------------------------------|----------------|-----------|------------------------------|
| Number of firms | 4 | 18 | 3 | 10 | 5 | 35 | 21 |
| Average net sales per firm \$ | 576,590 | 2,437,729 | 799,858 | 4,207,116 | 456,414 | 1,542,177 | 2,859,292 |
| Rate of stock turnover (times per year) | 3.16 | 3.74 | 1.74 | 2.71 | 1.62 | 2.26 | 4.35 |
| Profit and loss data (Per cent of net sales) | | | | | | | |
| Gross profit | 33.08 | 33.59 | 40.76 | 33.11 | 37.36 | 37.64 | 36.42 |
| Operating expenses..... | 30.00 | 30.24 | 39.87 | 31.00 | 34.37 | 34.61 | 33.78 |
| Net operating profit | 3.08 | 3.35 | 0.89 | 2.11 | 2.99 | 3.03 | 2.64 |
| Non-trading income | 0.61 | 0.81 | 0.46 | 0.89 | 0.37 | 0.53 | 2.34 |
| Non-trading expense | 0.01 | 0.74 | 0.24 | 0.62 | 0.62 | 0.74 | 0.28 |
| Net profit before income tax deduction | 3.68 | 3.42 | 1.11 | 2.38 | 2.74 | 2.82 | 4.70 |

CHILDREN'S AND INFANTS' WEAR CHAIN STORES

Firms in this classification are primarily engaged in selling children's and/or infants' clothing, furnishings and accessories.

This is the first operating results survey of stores in the children's and infants' wear line of business. No survey of either chain or independent stores has been made before. Surveys have been made of Men's Clothing, Women's Clothing, Family Clothing and Shoe Chain Stores and prior to 1964 the last survey was for 1959.

It is of some interest to note that the gross profit, as a percentage of net sales, for this kind of business revealed by the 1961 Merchandising

Census survey was 30.6 per cent. Ratios ranged from 33.3 per cent for Quebec to 24.7 per cent for Prince Edward Island. The Census statistics pertain to all stores of this kind, independent as well as chain and incorporated companies as well as unincorporated businesses. The 1964 survey indicated gross profit of 33.08 per cent of net sales for incorporated companies operating chain stores in this kind of business.

The table which follows gives operating expenses as percentages of net sales. Final net profit after providing for income tax is shown for the four firms reporting to be 2.99 per cent of net sales.

TABLE 2. Children's and Infants' Wear Chain Stores, Operating Results, 1964
Incorporated companies

| Item | Total all firms |
|--|-----------------|
| Number of firms | 4 |
| Number of stores operated | 21 |
| Average net sales per firm | \$ 576,590 |
| Average cost of goods sold | \$ 385,871 |
| Average inventory per firm: | |
| Beginning of year | \$ 115,429 |
| Per cent of average net sales | 20.02 |
| End of year | \$ 129,036 |
| Per cent of average net sales | 22.38 |
| Stock turnover (times per year) | 3.16 |
| Profit and loss data (Per cent of net sales) | |
| Gross profit | 33.08 |
| Operating expenses: | |
| Salaries: | |
| Executives | 3.33 |
| Other employees | 11.22 |
| Employees' benefits | 0.17 |
| Occupancy | 9.64 |
| Taxes ¹ and licences | 0.21 |
| Insurance ¹ | 0.23 |
| Repairs and maintenance ¹ | 0.18 |
| Depreciation | 0.95 |
| Supplies | 0.88 |
| Advertising | 1.51 |
| Travelling | 0.16 |
| Communication | 0.09 |
| Delivery | 0.31 |
| Bad debt loss | 0.08 |
| All other expenses | 1.04 |
| Total operating expenses | 30.00 |
| Net operating profit | 3.08 |
| Non-trading income | 0.61 |
| Non-trading expenses | 0.01 |
| Net profit before income tax deduction | 3.68 |
| Income tax | 0.69 |
| Final net profit | 2.99 |

¹ Excludes amount attributed to real estate which is occupancy expense.

FAMILY CLOTHING AND FURNISHINGS CHAIN STORES

Firms in this classification are primarily engaged in selling men's, women's, children's and infants' clothing and furnishings, the sales of which form at least 50 per cent of total business. Other items such as piece goods, notions, house furnishings and footwear may be handled.

Operating results are shown in Table 3 which follows. All respondents were incorporated com-

panies. It is of interest to note that the 1961 Census of Merchandising revealed that the gross profit for Family Clothing and Furnishings Stores in general was 30.4 per cent of net sales. The ratios ranged from 27.0 per cent for Alberta to 32.7 per cent for Prince Edward Island. These figures were derived from reports of both chain and independent stores. Table 4 gives the main operating results for a number of past years.

TABLE 3. Family Clothing and Furnishings Chain Stores, Operating Results, 1964, by Size of Firm
Incorporated companies

| Item | Firms with 1964 sales of | | | Total all firms |
|--|--------------------------|--------------------------|-------------------------|--------------------|
| | Under \$750,000 | \$ 750,000- 1,999,999 | \$2,000,000 and over | |
| Number of firms | 5 | 6 | 7 | 18 |
| Number of stores operated | 26 | 34 | 94 | 154 |
| Average net sales per firm | \$ 418,870 | 1,184,488 | 4,953,980 | 2,437,729 |
| Average cost of goods sold | \$ 291,927 | 805,183 | 3,264,166 | 1,618,883 |
| Average inventory per firm: | | | | |
| Beginning of year | \$ 127,668 | 288,925 | 719,807 | 411,696 |
| Per cent of average net sales | 30.48 | 24.39 | 14.53 | 16.89 |
| End of year | \$ 134,607 | 303,537 | 809,945 | 453,548 |
| Per cent of average net sales | 32.14 | 25.63 | 16.34 | 18.61 |
| Stock turnover (times per year) | 2.23 | 2.72 | 4.27 | 3.74 |
| Profit and loss data (Per cent of net sales) | | | | |
| Gross profit | 30.31 | 32.02 | 34.11 | 33.59 |
| Operating expenses: | | | | |
| Salaries: | | | | |
| Executives | 3.13 | 1.96 | 1.54 | 1.68 |
| Other employees | 11.04 | 14.95 | 14.96 | 14.77 |
| Employees' benefits | 0.22 | 0.42 | 0.58 | 0.54 |
| Occupancy | 5.46 | 5.20 | 5.74 | 5.64 |
| Taxes ¹ and licences | 0.14 | 0.27 | 0.31 | 0.30 |
| Insurance ¹ | 0.69 | 0.34 | 0.33 | 0.35 |
| Repairs and maintenance ¹ | 0.39 | 0.32 | 0.48 | 0.45 |
| Depreciation ¹ | 0.79 | 0.48 | 1.04 | 0.94 |
| Supplies | 0.60 | 0.74 | 0.86 | 0.83 |
| Advertising | 1.27 | 2.53 | 2.79 | 2.67 |
| Travelling | 0.60 | 0.64 | 0.37 | 0.42 |
| Communication | 0.41 | 0.39 | 0.26 | 0.29 |
| Delivery | 0.24 | 0.08 | 0.07 | 0.08 |
| Bad debt loss | 0.61 | 0.32 | 0.02 | 0.10 |
| All other expenses | 1.39 | 1.07 | 1.19 | 1.18 |
| Total operating expenses | 26.98 | 29.71 | 30.54 | 30.24 |
| Net operating profit | 3.33 | 2.31 | 3.57 | 3.35 |
| Non-trading income | 0.54 | 1.54 | 0.67 | 0.81 |
| Non-trading expense | 1.21 | 0.85 | 0.69 | 0.74 |
| Net profit before income tax deduction | 2.66 | 3.00 | 3.55 | 3.42 |
| Income tax | 0.56 | 0.96 | 1.67 | 1.50 |
| Final net profit | 2.10 | 2.04 | 1.88 | 1.92 |

¹ Excludes amount attributed to real estate which is in occupancy expense.

TABLE 4. Family Clothing and Furnishings Chain Stores - Comparison of Main
Operating Results, 1947-64

(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 | 1959 | 1964 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 13 | 15 | 16 | 15 | 18 | 19 | 21 | 18 |
| Gross profit | 26.38 | 30.23 | 28.78 | 31.04 | 33.35 | 32.88 | 32.58 | 33.59 |
| Operating expenses: | | | | | | | | |
| Salaries | 12.86 | 14.98 | 14.56 | 16.48 | 16.71 | 16.57 | 15.36 | 16.45 |
| Occupancy | 2.18 | 3.19 | 3.56 | 4.12 | 4.89 | 5.27 | 4.45 | 5.64 |
| Advertising | 1.49 | 2.86 | 3.13 | 1.81 | 3.53 | 3.28 | 3.11 | 2.67 |
| All other expenses | 4.25 | 6.55 | 5.52 | 6.63 | 6.51 | 5.67 | 6.35 | 5.48 |
| Total operating expenses | 20.78 | 27.58 | 26.77 | 29.04 | 31.64 | 30.79 | 29.27 | 30.24 |
| Net operating profit | 5.60 | 2.65 | 2.01 | 2.00 | 1.71 | 2.09 | 3.31 | 3.35 |

FURRIERS AND FUR CHAIN STORES

Firms in this classification are primarily engaged in selling ready-made and/or custom-made fur coats or other fur apparel. Repairing, remodeling and storing of furs and fur apparel is sometimes part of the business but revenue from these sources will be less than 50 per cent of total revenue.

This is the first operating results survey of stores in the fur line of business. No survey of either chain or independent stores has been made before.

It is of some interest to note that the gross profit, as a percentage of net sales, for this kind

of business revealed by the 1961 Merchandising Census survey was 40.9 per cent. Ratios ranged from 43.0 per cent for British Columbia to 34.5 per cent for New Brunswick. The Census statistics pertain to all stores of this kind, independent as well as chain and incorporated companies as well as unincorporated businesses. The 1964 survey indicated gross profit of 40.76 per cent of net sales for incorporated companies operating chain stores in this kind of business.

The table which follows gives operating expenses as percentages of net sales. Final net profit after providing for income tax is shown for the three firms reporting to be 0.86 per cent of net sales.

TABLE 5. Furriers and Fur Chain Stores, Operating Results, 1964
Incorporated companies

| Item | Total all firms |
|--|-----------------|
| Number of firms | 3 |
| Number of stores operated | 12 |
| Average net sales per firm | \$ 799,858 |
| Average cost of goods sold | \$ 473,837 |
| Average inventory per firm: | |
| Beginning of year | \$ 253,439 |
| Per cent of average net sales | 31.69 |
| End of year | \$ 290,112 |
| Per cent of average net sales | 36.27 |
| Stock turnover (times per year) | 1.74 |
| Profit and loss data (Per cent of net sales) | |
| Gross profit | 40.76 |
| Operating expenses: | |
| Salaries: | |
| Executives | 4.26 |
| Other employees | 15.07 |
| Employees' benefits | 0.46 |
| Occupancy | 7.22 |
| Taxes ¹ and licences | 0.72 |
| Insurance ¹ | 0.93 |
| Repairs and maintenance ¹ | 0.47 |
| Depreciation ¹ | 0.44 |
| Supplies | 0.67 |
| Advertising | 4.57 |
| Travelling | 0.58 |
| Communication | 0.46 |
| Delivery | 1.56 |
| Bad debt loss | 0.15 |
| All other expenses | 2.31 |
| Total operating expenses | 39.87 |
| Net operating profit | 0.89 |
| Non-trading income | 0.46 |
| Non-trading expenses | 0.24 |
| Net profit before income tax deduction | 1.11 |
| Income tax | 0.25 |
| Final net profit | 0.86 |

¹ Excludes amount attributed to real estate which is in occupancy expense.

MEN'S AND BOYS' CLOTHING CHAIN STORES

Firms in this classification are primarily engaged in selling men's and boys' ready-to-wear clothing such as overcoats, top coats, suits and work clothing. As a subsidiary line, accessories and furnishings such as hats, shoes, underwear,

shirts, gloves and hosiery may be handled but do not exceed 80 per cent of total sales. If in excess of this, the business is classified as Men's and Boys' Furnishings Stores.

Operating results are shown in Table 6 which follows. All respondents were incorporated companies. It is of interest to note that the 1961 Census of Merchandising revealed that the gross profit for men's and boys' clothing stores in general was 33.5 per cent of net sales. The ratios ranged from

30.7 per cent for Prince Edward Island to 34.7 per cent for Manitoba. These figures were derived from reports of both chain and independent stores. Table 7 gives the main operating results for a number of past years.

TABLE 6. Men's and Boys' Clothing Chain Stores, Operating Results, 1964, by Size of Firm
Incorporated companies

| Item | Firms with 1964 sales of | | Total all firms |
|--|--------------------------|-------------------------|--------------------|
| | \$500,000 - 999,999 | \$1,000,000 and over | |
| Number of firms | 3 | 7 | 10 |
| Number of stores operated | 22 | 150 | 172 |
| Average net sales per firm | \$ 732,784 | 5,696,116 | 4,207,116 |
| Average cost of goods sold | \$ 465,820 | 3,820,432 | 2,814,048 |
| Average inventory per firm: | | | |
| Beginning of year | \$ 275,441 | 1,257,726 | 963,041 |
| Per cent of average net sales | 37.59 | 22.08 | 22.89 |
| End of year | \$ 290,363 | 1,465,053 | 1,112,646 |
| Per cent of average net sales | 39.62 | 25.72 | 26.45 |
| Stock turnover (times per year) | 1.65 | 2.81 | 2.71 |
| Profit and loss data (Per cent of net sales) | | | |
| Gross profit | 36.43 | 32.93 | 33.11 |
| Operating expenses: | | | |
| Salaries: | | | |
| Executives | 2.43 | 1.99 | 2.01 |
| Other employees | 14.91 | 11.16 | 11.35 |
| Employees' benefits | 0.43 | 0.35 | 0.35 |
| Occupancy | 8.24 | 6.02 | 6.14 |
| Taxes ¹ and licences | 0.29 | 0.27 | 0.27 |
| Insurance ¹ | 0.71 | 0.26 | 0.28 |
| Repairs and maintenance ¹ | 0.44 | 0.44 | 0.44 |
| Depreciation ¹ | 1.26 | 1.01 | 1.03 |
| Supplies | 0.67 | 1.20 | 1.17 |
| Advertising | 1.85 | 4.67 | 4.52 |
| Travelling | 0.43 | 0.42 | 0.42 |
| Communications | 0.50 | 0.43 | 0.43 |
| Delivery | 0.46 | 0.16 | 0.18 |
| Bad debts loss | 0.14 | 0.25 | 0.25 |
| All other expenses | 2.71 | 2.13 | 2.16 |
| Total operating expenses | 35.47 | 30.76 | 31.00 |
| Net operating profit | 0.96 | 2.17 | 2.11 |
| Non-trading income | 0.10 | 0.93 | 0.89 |
| Non-trading expenses | — | 0.65 | 0.62 |
| Net profit before income tax | 1.06 | 2.45 | 2.38 |
| Income tax | 0.33 | 1.35 | 1.30 |
| Final net profit | 0.73 | 1.10 | 1.08 |

¹ Excludes amount attributed to real estate which is in occupancy expense.

TABLE 7. Men's and Boys' Clothing Chain Stores — Comparison of Main Operating Results, 1947-64
(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 | 1959 | 1964 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 9 | 9 | 12 | 15 | 18 | 17 | 23 | 10 |
| Gross profit | 29.95 | 29.13 | 28.75 | 30.91 | 30.97 | 32.13 | 35.65 | 33.11 |
| Operating expenses: | | | | | | | | |
| Salaries | 12.66 | 13.60 | 14.07 | 15.13 | 14.43 | 15.60 | 15.87 | 13.36 |
| Occupancy | 3.33 | 3.92 | 3.87 | 4.89 | 5.02 | 4.86 | 5.86 | 6.14 |
| Advertising | 2.11 | 2.99 | 3.12 | 3.18 | 2.94 | 3.44 | 4.29 | 4.52 |
| All other expenses | 4.31 | 5.06 | 5.16 | 5.90 | 6.00 | 6.22 | 7.90 | 6.98 |
| Total operating expenses | 22.41 | 25.57 | 26.22 | 29.10 | 28.39 | 30.12 | 33.92 | 31.00 |
| Net operating profit | 7.54 | 3.56 | 2.53 | 1.81 | 2.58 | 2.01 | 1.73 | 2.11 |

PIECE GOODS CHAIN STORES

Firms in this classification are primarily engaged in selling piece goods and other textile materials intended for making into apparel. Fabrics for the making of curtains, cushions, upholstery and so forth are sometimes handled in minor quantities.

This is the first operating results survey of stores in the piece goods line of business. No survey of either chain or independent stores has been made before.

It is of some interest to note that the gross profit, as a percentage of net sales, for this kind of business revealed by the 1961 Merchandising

Census survey was 31.0 per cent. Ratios ranged from 34.4 per cent for British Columbia to 25.6 per cent for Nova Scotia. The Census statistics pertain to all stores of this kind, independent as well as chain and incorporated companies as well as unincorporated businesses. The 1964 survey indicated gross profit of 37.36 per cent of net sales for incorporated companies operating chain stores in this kind of business.

The table which follows gives operating expenses as percentages of net sales. Final net profit after providing for income tax is shown for the five firms reporting to be 2.20 per cent of net sales.

TABLE 8. Piece Goods Chain Stores, Operating Results, 1964
Incorporated companies

| Item | Total all firms |
|--|-----------------|
| Number of firms | 5 |
| Number of stores operated | 27 |
| Average net sales per firm | \$ 456,414 |
| Average cost of goods sold | \$ 285,901 |
| Average inventory per firm: | |
| Beginning of year | \$ 165,790 |
| Per cent of average net sales | 36.32 |
| End of year | \$ 186,415 |
| Per cent of average net sales | 40.84 |
| Stock turnover (times per year) | 1.62 |
| Profit and loss data (Per cent of net sales) | |
| Gross profit | 37.36 |
| Operating expenses: | |
| Salaries: | |
| Executives | 2.96 |
| Other employees | 15.62 |
| Employees' benefits | 0.20 |
| Occupancy | 6.71 |
| Taxes ¹ and licences | 0.31 |
| Insurance ¹ | 0.66 |
| Repairs and maintenance ¹ | 0.76 |
| Depreciation ¹ | 0.70 |
| Supplies | 0.81 |
| Advertising | 2.71 |
| Travelling | 0.72 |
| Communication | 0.57 |
| Delivery | 0.81 |
| Bad debt loss | 0.06 |
| All other expenses | 0.77 |
| Total operating expenses | 34.37 |
| Net operating profit | 2.99 |
| Non-trading income | 0.37 |
| Non-trading expenses | 0.62 |
| Net profit before income tax deductions | 2.74 |
| Income tax | 0.54 |
| Final net profit | 2.20 |

¹ Excludes amount attributed to real estate which is in occupancy expense.

SHOE CHAIN STORES

Firms in this classification are primarily engaged in selling men's, boys', women's, children's and infants' footwear. Frequently handled also are hosiery, gloves, handbags, other accessories, luggage and other leather goods. A limited amount of repair work may be done. Among the firms reporting to the survey are those handling only one line such as men's shoes, women's shoes or children's and infants' shoes but about 80 per cent of the business included in the operating results survey represents Family Shoe Stores handling all types of footwear.

Operating results are shown in Table 9 which follows. Not all respondents were incorporated companies and Table 10 is a special tabulation of incorporated company data. It is of interest to note that the 1961 Census of Merchandising revealed that the gross profit for Family Shoe Stores in general was 34.1 per cent of net sales. The ratios ranged from 32.7 per cent for Newfoundland to 38.6 per cent for Manitoba. These figures were derived from reports of both chain and independent stores. Table 11 gives the main operating results for a number of past years.

TABLE 9. Shoe Chain Stores, Operating Results, 1964, by Size of Firm

| Item | Firms with 1964 sales of | | | | | Total all firms |
|--|--------------------------|-------------------|-------------------|-----------------------|----------------------|-----------------|
| | Under \$300,000 | \$300,000-499,999 | \$500,000-999,999 | \$1,000,000-2,999,999 | \$3,000,000 and over | |
| Number of firms | 7 | 8 | 10 | 6 | 4 | 35 |
| Number of stores operated | 33 | 47 | 66 | 119 | 406 | 671 |
| Average net sales per firm \$ | 232,770 | 379,205 | 705,114 | 1,970,824 | 7,609,269 | 1,542,177 |
| Average cost of goods sold \$ | 156,625 | 240,180 | 428,972 | 1,316,387 | 4,613,283 | 961,686 |
| Average inventory per firm: | | | | | | |
| Beginning of year \$ | 78,599 | 141,229 | 175,686 | 530,034 | 2,073,244 | 426,002 |
| Per cent of average net sales | 33.77 | 37.24 | 24.92 | 26.89 | 27.25 | 27.62 |
| End of year \$ | 81,829 | 136,116 | 185,383 | 555,750 | 2,011,070 | 425,552 |
| Per cent of average net sales | 35.15 | 35.90 | 26.29 | 28.20 | 26.43 | 27.59 |
| Stock turnover (times per year) | 1.95 | 1.73 | 2.38 | 2.42 | 2.26 | 2.26 |
| Profit and loss data (Per cent of net sales) | | | | | | |
| Gross profit | 32.71 | 36.66 | 39.16 | 33.21 | 39.37 | 37.64 |
| Operating expenses: | | | | | | |
| Salaries: | | | | | | |
| Executives | 3.16 | 3.42 | 2.07 | 1.78 | 1.58 | 1.84 |
| Other employees | 12.32 | 14.66 | 16.79 | 14.34 | 15.47 | 15.26 |
| Employees' benefits | 0.23 | 0.68 | 0.54 | 0.54 | 0.42 | 0.47 |
| Occupancy | 6.18 | 8.38 | 7.48 | 7.96 | 9.77 | 8.89 |
| Taxes ¹ and licences | 0.49 | 0.65 | 0.44 | 0.65 | 0.62 | 0.60 |
| Insurance ¹ | 0.52 | 0.46 | 0.35 | 0.23 | 0.45 | 0.39 |
| Repairs and maintenance ¹ | 0.64 | 0.48 | 0.45 | 0.38 | 0.21 | 0.31 |
| Depreciation ¹ | 0.50 | 0.85 | 1.27 | 1.12 | 0.68 | 0.86 |
| Supplies | 0.70 | 0.81 | 0.69 | 0.96 | 1.11 | 0.99 |
| Advertising | 1.20 | 1.14 | 2.82 | 1.50 | 2.05 | 1.95 |
| Travelling | 0.40 | 0.43 | 0.54 | 0.33 | 0.54 | 0.48 |
| Communication | 0.59 | 0.53 | 0.40 | 0.47 | 0.39 | 0.42 |
| Delivery | 0.43 | 0.18 | 0.28 | 0.35 | 0.13 | 0.21 |
| Bad debt loss | 0.03 | 0.07 | 0.09 | 0.15 | 0.01 | 0.05 |
| All other expenses | 1.15 | 2.25 | 2.22 | 1.13 | 2.01 | 1.89 |
| Total operating expenses | 28.54 | 34.99 | 36.43 | 31.89 | 35.53 | 34.61 |
| Net operating profit | 4.17 | 1.67 | 2.73 | 1.32 | 3.84 | 3.03 |
| Non-trading income | 0.68 | 0.60 | 0.09 | 0.47 | 0.63 | 0.53 |
| Non-trading expenses | 0.25 | 0.02 | 0.24 | 0.82 | 0.93 | 0.74 |
| Net profit before income tax deduction and the withdrawals of the owners of unincorporated businesses | 4.60 | 2.25 | 2.58 | 0.97 | 3.54 | 2.82 |

¹ Excludes amount attributed to real estate which is in occupancy expense.

TABLE 10. Shoe Chain Stores, Operating Results, 1964
Incorporated Companies
(Items expressed as percentages of net sales)

| Item | Firms with 1964 sales of | | | | Total all firms |
|---|--------------------------|------------------------|----------------------------|-------------------------|--------------------|
| | \$300,000 - 499,999 | \$500,000 - 999,999 | \$1,000,000 - 2,999,999 | \$3,000,000 and over | |
| Gross profit | 38.59 | 39.83 | 33.21 | 39.37 | 37.90 |
| Operating expenses | 37.62 | 37.26 | 31.89 | 35.53 | 34.94 |
| Net operating profit | 0.97 | 2.57 | 1.32 | 3.84 | 2.96 |
| Non-trading income | 0.44 | 0.10 | 0.47 | 0.63 | 0.54 |
| Non-trading expenses | 0.01 | 0.36 | 0.82 | 0.93 | 0.80 |
| Net profit before income tax deduction | 1.40 | 2.31 | 0.97 | 3.54 | 2.70 |
| Income tax | 0.48 | 0.53 | 0.50 | 2.10 | 1.48 |
| Final net profit | 0.92 | 1.78 | 0.47 | 1.44 | 1.22 |

TABLE 11. Shoe Chain Stores - Comparison of Main Operating Results, 1947 - 64
(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 | 1959 | 1964 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 22 | 23 | 29 | 30 | 35 | 36 | 37 | 35 |
| Gross profit | 30.75 | 30.78 | 31.58 | 31.60 | 32.95 | 33.95 | 35.94 | 37.64 |
| Operating expenses: | | | | | | | | |
| Salaries | 14.45 | 14.71 | 14.61 | 14.78 | 15.35 | 15.51 | 15.80 | 17.10 |
| Occupancy | 5.78 | 5.27 | 5.32 | 5.30 | 5.84 | 6.72 | 7.14 | 8.89 |
| Advertising | 1.18 | 1.45 | 1.55 | 1.65 | 1.72 | 1.70 | 1.64 | 1.95 |
| All other expenses | 2.82 | 4.42 | 5.00 | 4.99 | 5.07 | 5.15 | 5.61 | 6.67 |
| Total operating expenses | 24.23 | 25.85 | 26.48 | 26.72 | 27.98 | 29.08 | 30.19 | 34.61 |
| Net operating profit | 6.52 | 4.93 | 5.10 | 4.88 | 4.97 | 4.87 | 5.75 | 3.03 |

WOMEN'S READY-TO-WEAR CHAIN STORES

Firms in this classification are primarily engaged in selling women's ready-to-wear coats, suits and dresses with or without accessories such as hosiery, lingerie, millinery and so forth. Piece goods are sometimes sold but these do not account for more than 50 per cent of total trade.

Operating results are shown in Table 12 which follows. All respondents were incorporated com-

panies. It is of interest to note that the 1961 Census of Merchandising revealed that the gross profit for Women's Ready-to-wear Stores in general was 33.2 per cent of net sales. The ratios ranged from 27.4 per cent for Prince Edward Island to 34.0 per cent for Ontario. These figures were derived from reports of both chain and independent stores. Table 13 gives the main operating results for a number of past years.

TABLE 12. Women's Ready-to-Wear Chain Stores, Operating Results, 1964, by Size of Firm
Incorporated Companies

| Item | Firms with 1964 sales of | | | | Total all firms |
|--|--------------------------|------------------------|----------------------------|-------------------------|--------------------|
| | Under \$500,000 | \$500,000 - 999,999 | \$1,000,000 - 2,999,999 | \$3,000,000 and over | |
| Number of firms | 3 | 4 | 10 | 4 | 21 |
| Number of stores operated | 22 | 21 | 160 | 149 | 352 |
| Average net sales per firm | \$ 313,804 | 771,607 | 1,864,361 | 9,343,423 | 2,859,292 |
| Average cost of goods sold | \$ 198,179 | 494,146 | 1,205,732 | 5,886,862 | 1,817,900 |
| Average inventory per firm: | | | | | |
| Beginning of year | \$ 105,519 | 105,964 | 296,798 | 1,148,302 | 395,314 |
| Per cent of average net sales | 33.63 | 13.73 | 15.92 | 12.29 | 13.83 |
| End of year | \$ 108,673 | 124,505 | 335,375 | 1,268,070 | 440,507 |
| Per cent of average net sales | 34.63 | 16.14 | 17.99 | 13.57 | 15.41 |
| Stock turnover (times per year) | 1.85 | 4.29 | 3.81 | 4.87 | 4.35 |
| Profit and loss data (Per cent of net sales) | | | | | |
| Gross profit | 36.85 | 35.96 | 35.33 | 36.99 | 36.42 |
| Operating expenses: | | | | | |
| Salaries: | | | | | |
| Executives | 2.19 | 2.97 | 2.14 | 0.93 | 1.43 |
| Other employees | 14.35 | 16.78 | 15.41 | 16.05 | 15.86 |
| Employees' benefits | 0.22 | 0.55 | 0.35 | 0.70 | 0.58 |
| Occupancy | 10.95 | 5.59 | 7.65 | 7.46 | 7.47 |
| Taxes ¹ and licences | 0.60 | 0.56 | 0.62 | 0.58 | 0.59 |
| Insurance ¹ | 1.07 | 0.42 | 0.45 | 0.37 | 0.41 |
| Repairs and maintenance ¹ | 0.76 | 0.94 | 0.70 | 0.52 | 0.60 |
| Depreciation ¹ | 0.74 | 1.09 | 0.71 | 0.80 | 0.79 |
| Supplies | 0.33 | 0.41 | 1.13 | 1.53 | 1.33 |
| Advertising | 1.98 | 1.58 | 2.44 | 2.00 | 2.12 |
| Travelling | 0.48 | 0.35 | 0.35 | 0.45 | 0.42 |
| Communications | 0.54 | 0.29 | 0.47 | 0.47 | 0.46 |
| Delivery | 0.53 | 0.38 | 0.32 | 0.13 | 0.21 |
| Bad debt loss | — | 0.14 | 0.19 | 0.16 | 0.16 |
| All other expenses | 2.10 | 2.03 | 2.27 | 0.81 | 1.35 |
| Total operating expenses | 36.84 | 34.08 | 35.20 | 32.96 | 33.78 |
| Net operating profit | 0.01 | 1.88 | 0.13 | 4.03 | 2.64 |
| Non-trading income | 0.27 | 0.87 | 1.13 | 3.12 | 2.34 |
| Non-trading expense | — | 0.24 | 0.38 | 0.25 | 0.28 |
| Net profit before income tax deductions | 0.28 | 2.51 | 0.88 | 6.90 | 4.70 |
| Income tax | 0.16 | 0.58 | 0.38 | 3.33 | 2.22 |
| Final net profit | 0.12 | 1.93 | 0.50 | 3.57 | 2.48 |

¹ Excludes amount attributed to real estate which is in occupancy expense.

TABLE 13. Women's Ready-to-Wear Chain Stores — Comparison of Main Operating Results, 1947-64
(Items expressed as percentages of net sales)

| Item | 1947 | 1949 | 1951 | 1953 | 1955 | 1957 | 1959 | 1964 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of firms | 26 | 23 | 29 | 28 | 30 | 29 | 34 | 21 |
| Gross profit | 30.18 | 29.40 | 28.32 | 31.48 | 32.70 | 34.38 | 34.61 | 36.42 |
| Operating expenses: | | | | | | | | |
| Salaries | 11.59 | 12.14 | 12.16 | 12.90 | 14.07 | 14.97 | 15.11 | 17.29 |
| Occupancy | 5.10 | 5.36 | 5.38 | 5.60 | 6.42 | 6.78 | 7.33 | 7.47 |
| Advertising | 1.65 | 1.43 | 1.54 | 1.51 | 1.44 | 1.80 | 2.23 | 2.12 |
| All other expenses | 5.69 | 6.39 | 6.48 | 6.79 | 6.84 | 7.30 | 6.81 | 6.90 |
| Total operating expenses | 24.03 | 25.32 | 25.56 | 26.80 | 28.77 | 30.85 | 31.58 | 33.78 |
| Net operating profit | 6.15 | 4.08 | 2.76 | 4.68 | 3.93 | 3.53 | 3.03 | 2.64 |

DEFINITIONS

Profit and Loss

Net sales — the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn for personal use are included.

Purchases — are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, and transportation costs from warehouse to stores.

Cost of goods sold — determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit — the difference between "cost of goods sold" and "net sales".

Operating expenses — all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages, commissions and bonuses (except delivery) — payments to employees before deduction of income tax or unemployment insurance, etc. Included are salaries paid to executives of incorporated firms. Proprietors' salaries or withdrawals are included in "net operating profit" for unincorporated store operations.

Employees' benefits — contributions made towards employees' pensions, unemployment insurance, hospitalization and other staff benefits. (Excludes employees' own contributions.)

Occupancy — the cost of maintaining and occupying a place of business and includes property taxes, insurance, heat, light and power, repairs and maintenance, depreciation, mortgage interest on owned real estate and rental expense on rented premises.

Taxes and licences — excluding property taxes.

Insurance — premiums for insurance policies carried to protect the business, covering furniture and fixtures and inventories but excluding real estate insurance and insurance on delivery equipment.

Repairs and maintenance — costs incurred to keep fixtures and equipment operating efficiently. (Excludes capital expenditure and delivery.)

Depreciation — allowances on fixtures and equipment (except delivery).

Supplies — wrapping paper, twine, store and office supplies, etc.

Advertising — displays, window dressing and sales promotion.

Travelling — all travelling expense including buying.

Communication — telephone, telegraph and postage.

Delivery — salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.), all other costs from stores to customers including amounts paid for contract delivery.

Bad debt loss — amount written off or reserve provided for during the current year.

All other operating expenses — bank charges, legal, auditing and collection fees, etc.

Non-trading income — interest earned, net revenues from rentals, financial charges, delivery charges made to customers and bad debts recovered, revenues from investments and other non-trading activities.

Non-trading expense — interest expense and any other expenses not pertaining to the business.



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